Austria	Sch22	Indonesia	Rp3100	Oman	OR1
Bahrain	Din0.700	Iran	Rls210	Philippines	Pes40
Belgium	BFr52	Israel	Shk5.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L1700	Qatar	QR12
Denmark	DKr10.50	Jordan	Fils500	S.Arabia	Rls7.00
Egypt	£E2.25	Kuwait	Fils500	Singapore	S$4.10
Finland	Fmk7.80	Lebanon	£800	Spain	Pta145
France	FFr7.00	Lux	LFr55	Sweden	SKr10
Germany	DM2.50	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr120	Morocco	Dh8.00	Thailand	Bht50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800
Iceland	Ikr125	Nigeria	Naira12	Turkey	L1200
India	Rup15	Norway	Nkr10.00	UAE	Dh7.50

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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WORLD TRADE

Pace of US-Soviet deals picks-up

Page 5

Thousands arrested as Colombia extends crackdown on drugs

By Lionel Barber in Washington and Sarita Kendall in Bogota

COLOMBIA extended its crackdown on the country's drug traffickers yesterday, detaining more than 10,000 people and seizing helicopters, property and cars worth millions of dollars, and more than 4 tonnes of cocaine paste worth about $500,000.

The United States, which is preparing its own $8bn plan to fight drugs, has strongly backed the assault, and has said that it is ready to respond to Colombia's decision to waive extradition procedures for suspected members of the drug cartels.

The crackdown follows the murder last Friday of Senator Luis Carlos Galan, a leading presidential candidate and an outspoken opponent of the drug barons.

After the killing, President Virgilio Barco declared a state of siege and announced emergency decrees empowering the Government to summarily extradite drug traffickers, several of whom are sought by the US.

The Colombian Defence Ministry reported that 10,450 people had been detained in 321 raids, with new raids and arrests being reported hourly. But many of the leading figures involved seem to have escaped.

Among the sites raided were buildings and ranches in and around the industrial city of Medellin owned by Mr Pablo Escobar, alleged to be one of the biggest cocaine traffickers. Properties owned by the family of Mr Jorge Ochoa and by Mr Gonzalo Rodriguez Gacha, two other top alleged cocaine dealers, were also raided.

The US Administration said yesterday it was ready to respond to the Colombian Government's initiative on extradition. But Mr John Sununu, White House chief of staff, played down expectations of e swift extradition of any of the leading members of the cocaine cartels.

He distanced the Administration from hints by Mr Richard Thornburgh, US Attorney General, thet the US would respond favourably to e Colombian Government request for US military assistance to fight the cartels.

Mr Sununu told reporters in Kennebunkport, Maine, where President Bush is taking his summer holiday: "It's a choice that has to be made by Colombia, by the President of Colombia himself, and we are doing nothing that will be construed as interfering with the flexibility that he has." Colombia is thought unlikely to request military support, which would be very unpopular.

On Saturday, President Bush, responding to the assassination of Senator Galan said the US was prepared to co-ordinate as "as expeditiously as possible" the extradition of Colombian drug dealers. And he said President Barco's reinstatement of extradition was "courageous."

Mr Bush is about to unveil a national strategy aimed at curbing drug abuse in the US in a televised speech to the nation on September 5. This will include a proposal for a slight increase in economic aid to cocaine producing countries such as Colombia, Bolivia and Peru. Mr Sununu said the US provided about $15m a year in economic and military assistance to help Colombia deal with the drug problem.

Caribbean connection, Page 5; War on drugs, Page 16

CDU general secretary sacked by Kohl

Heiner Geissler, the general secretary and chief strategist of West Germany's ruling Christian Democrats, said he was dismissed by Chancellor Helmut Kohl after heavy losses to the far right in elections this year. Page 16

Prague springs alive

Police wielding batons confronted thousands of protesters in Prague who assembled in defiance of e ban on demonstrations marking the 21 year anniversary of the Soviet-led invasion of Czechoslovakia. Page 16

China cancels order

China cancelled orders of 330,000 tonnes of steel from Japanese producers, blaming a shortage of foreign currency and an austerity programme. Page 16

ANC wins backing

The Organisation of African Unity endorsed a programme drawn up by the African National Congress outlining preconditions for talks with Pretoria. Page 3

Turkey seals border

Turkey is to seal its border with Bulgaria today to stem the flood of ethnic Turkish refugees, more than 300,000 of whom have crossed since May.

Socialists propose

The Japan Socialist Party formally announced significant changes to traditional policies and undertook to maintain the Japan-US security treaty should the party head a coalition government. Page 3

Burma deal

The Burmese Government authorised setting up a joint venture between a Singapore company and two state-owned ventures. Page 5

Iranian appointment

Iran's President Rafsanjani strengthened the hand of his moderate clique by naming Hassan Ebrahim Habibi, e French-trained former justice minister, as first vice-president. Page 3

Japan to Hollywood

JVC, the Japanese electronics giant, said it is going into the film business in partnership with Hollywood producer Lawrence Gordon, a former president of 20th Century Fox. Page 18

Israeli protest

Israel's Tourism Minister demanded an explanation from the Defence Ministry after troops said to be disguised as tourists shot dead a Palestinian in the occupied West Bank town of Bethlehem. Page 3

Conservationist dies

George Adamson, British conservationist and husband of Joy Adamson who wrote "Born Free" about their experiences rearing lions, was shot dead at home in Kenya. Page 3

Sydney mulls curbs

Australia may have to curb immigration and set a population ceiling of around 25 million at some time, the Immigration Minister said.

Hotel du Nord threat

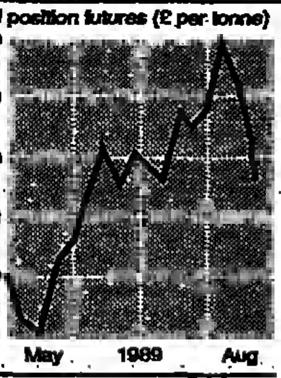
The hotel that inspired Marcel Carne's 1930's cinema classic "Hotel du Nord" is threatened with demolition but the film's director, leading lady now in her 90s and other Parisian artists have leapt to its defence.

De La Rue rejects Norton Opax' £478m bid

DE La Rue, security printer which produces bank notes for more than 80 countries, rejected as "opportunistic" a £478m ($755m) takeover bid from Norton Opax, specialist printing and packaging group. *Norton's chief executive,* Richard Hanwell, launched the bid with an attack on the leadership at De La Rue, which reported e 59 per cent collapse in pre-tax profits to £26.3m for the year to March 31. Lex, Page 16; Page 17

COCOA: prices on the London Futures and Options Exchange fell sharply, with December contract closing at £827, as it became clear most of the Ivorian beans covered by a large deal signed early this month were already committed in the market. Page 28 and Page 5

Cocoa



UK gross domestic product fell for the first time in nearly four years in April to June as interest rates and problems with North Sea oil production hit output, the Government said. Page 6

DEUTSCHE Bank, West Germany's biggest, said its long-awaited move into the life insurance business would be made four months ahead of schedule, on September 1. Page 19

JAPANESE security houses: the US Federal Reserve said it found no discrimination against US securities houses in the Japanese government bond market and that the four Japanese primary dealers in the Treasury bond market would be allowed to continue to operate. Page 21

MANUFACTURERS Hanover, US banking group, sold 45 per cent of Korea Industrial Leasing for about Y9bn ($63m) to Nippon Credit Bank of Japan while Hongkong and Shanghai Banking sold its 50 per cent share in Wardley Summa Leasing. Page 18

JAPANESE investors could return the UK trade deficit to surplus within six years and account for e tenth of British manufacturing output by 2000, Nomura Securities of Japan forecast. Page 8

GECHEM, Belgian chemicals group, is to sell its Omnichem fine chemicals unit to Ajinomoto of Japan for BFr3.87bn ($94.4m) and focus on two main product groups. Page 25

HITACHI, Japanese electric machinery maker, is soon to finalise plans for an integrated semi-conductor plant in western Europe, possibly in West Germany as e reaction to the recent concentration of Japanese investment in Britain.

UMW Holdings, Malaysian automotive group hit by introduction four years ago of the Proton car, begun e 58m ringgit ($19.7m) debt restructuring scheme. Page 26

RABOBANK, big Dutch co-operative bank, said net income jumped to Fl 443m ($201m) from Fl 374m as costs rose more slowly than income and lending to agriculture reached a record. Page 19

BRITISH Airways: UK flag carrier, is expecting a return to normal working today ending four days of disruption to its domestic and European services. Lex Page 16; Page 7

Polish Communists weigh coalition as tension mounts

By John Lloyd in Warsaw

THE POLITBURO of the Polish United Workers Party (the Polish Communist Party), meets today to determine on what terms it will participate in a Solidarity-led coalition amid signs that it is preparing for confrontation with Solidarity.

Tha political tension is increasing at the same time as the economic climate deteriorates. The strike wave – due to be swelled today by medical workers in Warsaw and Poznam – rolls on while in the dominant state sector, Parliament's refusal to ratify the budget has deprived enterprises of funds to give pay rises. Exports last month were said last night to be "dangerously low," while prices of basic foodstuffs still spiral upwards.

Mr Marian Jurczyk, a member of Solidarity's collective leadership, yesterday burst the bubble of elation over the nomination of Mr Tadeusz Mazowiecki as Prime Minister.

He wrote in Gazeta Wyborcza, the Solidarity daily paper: "I do not predict the new Government's existence for more *than a few months. . . the* mood of the people has become very radical. The price rises have put the people in a tragic position and nothing seems to indicate that this present spiral can be stopped. . . an explosion is inevitable."

Senior Communist officials left Warsaw yesterday to thrash out a plan for coming daya of political bargaining and struggle. However, in e statement from the Central Committee on the front page of Tryhuna Ludu, the party newspaper, the PUWP ranks showed themselves to be angry, and seeking for a way, to "strengthen our power in the future."

It seems that the reformist tendency, until now firmly in the driving seet, is under severe attack by those Communists who blame it for having conceded too mnch in the round table talks, botched the June elections and failed to make any headway against the country's economic crisis.

The usual Central Committee statement says starkly that the situation "is becoming more and mora dangerous. . . the political destabilisation and the prolongation of the present state of the economy is causing a growing bitterness and fatigue in our citizens."

It criticises its former coalition partners, the Peasants' and Democrat Parties, for joining Solidarity, reminds them that they owed their seats and privileges to the PUWP and goes on to make an apparent *threat to split them, by saying* it "counts on future co-operation with members of the Peasants and Democrats parties who are faithful to the ideals of the Round Tehle and the accepted agreements" – a move which would seem to presage an attempt to deprive Mr Mazowiecki of a parliamentary majority. The Sejm (lower house) is due to confirm him as Premier tomorrow.

The Central Committee debate on Saturday, at which 28 memhers spoke, also suggested – according to the party newspaper – that the Communists should seek new allies among coalition party members "to accept the common values of socialism."

At the sama time, however, the Central Committee reaffirmed its intention to take part in a coalition – but only on the basis of "accepting the new Government's programmatic platform and political structures which should happen before the Sejm accepts the Prime Minister." That either suggests that the Party will attempt to agree a common programme with Solidarity before tomorrow – a practical impossibility – or that it will oppose Mr Mazowiecki and seek to destabilise him.

"Poland needs reforms. Only work on the concrete shape of these reforms gives credibility to the political forces active in out country. No one will achieve that through a policy of threats and blackmail," Mr Walesa said.

The Soviet Union maintained *its low-key reaction to events* in Poland with a short Foreign Ministry statement describing "the formation of a Polish government as a domestic matter for the Poles". However Mr Yuri Gremitskikh, deputy head of the Foreign Ministry Information Directorate, said Moscow could not view the negotiations over the formation of a government in Poland with indifference.

Moscow's reaction, Page 2

'Loophole' in rules for cutting US deficit

By Anthony Harris in Washington

MR RICHARD DARMAN, the US budget director, yesterday called for a tightening of the rules for cutting the US fiscal deficit, *saying that they contained* "a giant loopbole."

Under the existing Gramm-Rndman-Hollings (GRH) deficit rednction rules, the 1990 deficit will reach $116.2bn on the basis of existing legislation, according to the Administration. *Bnt the projected* deficit has been kept under control by exploiting a rule which allows increases in expenditure mede after the start of a financial year to go uncounted for deficit-rednction purposes.

This "giant loophole," as Mr Darman termed it, has been used this year to accommodate the first $20bn of the cost of liquidating bankrupt savings and loan institutions (S&Ls).

The capital cost of this operation would not in any case have been counted for GRH purposes. Congress, which had called for a waiver of GRH restrictions for the S&L reconstruction, has agreed to the alternative Administration plan for a refinancing corporation which is off the budget.

However, the loophole has also been exploited for pure window-dressing: for example, salaries in the armed services have been paid early so that the expenditure will not appear in fiscal 1990. It is such evasion, which has become an annual event, which Mr Darman wants to eliminate.

But he added that any attempt to reform GRH rules should wait until Congress and the Administration agree on a deficit reduction strategy for 1991. This, it is generally

Continued on Page 16

Sheehy: problem with market rating

BAT defends record in face of hostile bid

By Nikki Tait in London

BAT Industries, the tobacco-based conglomerate fighting a £13.5bn takeover bid from Sir James Goldsmith's Hoylake consortium, yesterday said its programme of diversification had been well-founded and that the gronp was "in good hands and has excellent prospects."

It backed up the case made in its first defence document by releasing – several weeks ahead of schedule – interim figures which showed a 20 per cent rise in pre-tax profits to £811m and e dividend increase.

However, in his letter to shareholders, Mr Pat Sheehy, chairman, also acknowledged the problem of BAT's market rating: "We have, of course, been concerned for some time about the value of your shares on the stock market compared with the underlying value of the businesses," he said.

"We heve, for some time, heen considering weys in which this gap can be eliminated; clearly this task is now more urgent."

However, Mr Sheehy later

Continued on Page 16

CSFB proposes measures to help Eurobond underwriters

By Andrew Freeman in London

MEASURES designed to restore profitability to underwriters hit by sharply intensified competition in the London Eurobond market, have been euggested by Credit Suisse First Boston (CSFB), one of the market's leading banks.

The market, which raises more private capital for borrowers than any outside the US, has become chronically unprofitable over the last two years as too many banks have been competing for business.

Despite high issue volumes and turnover, most banks have lost money. Yesterday Prudential-Bache became the latest casualty when it announced its withdrawal from the market.

CSFB'a action in outlining proposals intendad to give investors more confidence in the new issue market, was seen as an attempt by the bank to gain the initiative in what has become a public and sometimes bitter debate between leading banks on how they should conduct the underwriting of new bond issues.

Last week, Morgan Stanley, a US house, broke new ground when it launched a $500m deal *for New Zealand* using a procedure for eyndicating bonds derived from typical practice in the US domestic bond market.

CSFB concentrated its ettention on the so-called primary market, where new bond issues are syndicated among banks before being sold to investors. Among the measures it advocated were:

● increasing price transparency on the new issue market by encouraging wider trading of new issues during the period in which they are being distributed to investors.

● tightening disclosnre requirements for banks which act as lead managers of new issues so that investors know more about how many bonds have been distributed.

● changing the way banks set the fees they charge borrowers *for underwriting new issues.*

Mr Hans-Jörg Rudloff, CSFB chairman and a leading figure in the market, said that the bank had sent e discussion paper to a selection of borrowers and underwriting hanks outlining proposals to reform the new issue market in Eurobonds.

He said the paper aimed to stimulate debate between leading banks on why the new issua market had failed to match improvements on the secondary market in Eurobonds.

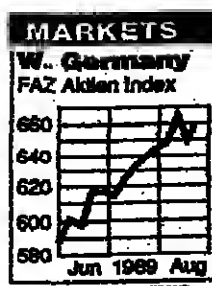
CSFB also announced a reorganisation of its eyndication operations. From September 5, the bank will begin trading of new Eurobond issues in an effort to increase the price transparency of the market. It will trade its own nsw issues as well as those hy other banks. The move is designed partly to rednce investors' dependence on independent brokers.

The initial reaction from other banks was muted – many did not receive the document until late in the day. However, one official commented that the measures suggested by CSFB were not specific enough. He said the primary market was efficient as e professional market and that end investors had access to transparent prices on the secondary market.

Editorial comment, Page 14; Background, Page 17

MARKETS

W. Germany
FAZ Aktien Index



INTEREST RATES
US lunchtime
Federal Funds 8 13/16% (8¾)
3-mth Treasury Bills: yield: 8.123% (8.09)
Long Bond: 100⅞ (99 31/32)
yield: 8.114% (8.15)
London
3-month interbank: close 13 15/16-13 13/16% (13⅞)

STERLING
New York lunchtime
$1.5765 (1.566)
London:
$1.5785 (1.5655)
DM3.0800 (3.0625)
FFr10.3875 (10.3250)
SFr2.6525 (2.6400)
Y224.75 (223.50)

DOLLAR
New York lunchtime
DM1.95405 (1.95675)
FFr6.5910 (6.5965)
SFr1.68365 (1.68775)
Y142.525 (142.6)
London:
DM1.9515 (1.9555)
FFr6.5900 (6.5950)
SFr1.6805 (1.6850)
Y142.40 (142.75)

GOLD
New York latest
Comex Dec $374.2 (373.9)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av. 2,672.61 (-15.36)
S&P Comp 344.08 (346.03)
London:
FT-SE 100 2,374.7 (-0.4)
World: 152.26 (Fri)
Tokyo
Nikkei Ave. 35,140.83 (+77.69)
Frankfurt
Commerzbank 1,978.0 (+24.8)

OIL
Brent 15-day (Argus) $17.09 (+0.095) (September)
West Tex Crude $18.505 (+0.12) (October)

CONTENTS

Sweden sets a new course for social democracy in 1990s

Mr Kyell-Olof Feldt, the Finance Minister, has proposed in the Social Democratic Party's blueprint for the 1990s that savings in the public sector over the next five years should be increased to 5-7 per cent of GNP.
Page 2

Tide of refugees from Eastern Europe gathers strength

E German exodus blamed on lack of reform

By **David Marsh** in Bonn

THE WAR of words between East and West Germany over the flood of refugees from the East sharpened yesterday as the Bonn Government blamed the exodus on East Berlin's refusal to bring in more freedom and political reform.

As the tide of East Germans fleeing to the West across the Austrian-Hungarian border showed no signs of letting up, the East German media denounced the mass weekend departures - when more than 800 people crossed into Austria - as a "spectacle" orchestrated by the Western press.

The tide of departures on Saturday and Sunday - the greatest surge out of East Germany since the building of the Berlin Wall in 1961 - represented a "phenomenon surpassing all previous limits," Mr Hans Klein, the West German Information Minister, said.

Further departures continued yesterday, and more than 1,000 East Germans are reported to be waiting in the border area of western Hungary to cross the frontier into Austria.

In a half-whimsical answer to a question at a news conference, Mr Klein appeared to suggest that Mr Erich Honecker, the East German leader, should step down. He qualified the remark by saying it was senseless to talk about "near-Utopian things."

Later the East German news agency, ADN, in an attempt to quell speculation about Mr Honecker's state of health, said the East German head of state was recovering after a gallstone operation last week.

The four-line official statement followed several weeks of rumours about his future.

Mr Honecker, who will be 77 this week, was forced to return suddenly for medical treatment from a Warsaw Pact summit in Bucharest on July 8, before departing on what the East German media described as his summer holiday. Last week, he reappeared in public for the first time in five weeks, before apparently going into hospital on Friday.

The mass flight of citizens from East Germany - which has lost roughly 20 per cent of its population since 1949 through emigration to the West - represents one of the toughest trials for Mr Honecker since he took over the Communist party leadership in 1971.

Mr Helmut Kohl, the West German Chancellor, is assembling experts later this week to try to come up with ways of alleviating problems caused by the refugee stream. According to the Inner German Ministry, more than 55,000 East Germans crossed into the Federal Republic by legal and illegal means in the first seven months of the year. These arrivals are putting an increasing strain on the country's social services.

Mr Klein pinpointed the dilemma when he said yesterday that West Germany was ready to give the eastern part of the nation economic help so that East Germans would be more ready to stay at home.

But such aid would be useless if it simply resulted in "stabilising the rigidities" of the East German system rather than opening it up to Western ideas and influence.

East German refugees line up for lunch supplied by a West German relief organisation in Budapest

Moscow maintains low-key reaction to Polish events

By **James Blitz** in Moscow

THE SOVIET UNION yesterday maintained its low-key reaction to events in Poland with a short Foreign Ministry statement describing "the formation of a Polish government as a domestic matter for the Poles".

However, issuing the statement, Mr Yuri Gremitskikh, deputy head of the Foreign Ministry Information Directorate, said that Moscow could not view the negotiations over the formation of a government in Poland with indifference. "Our two countries have long been tied by close relations ... and have a broad association covering many spheres."

He said the Soviet Union hoped that the "political forces" in Poland would act constructively to find a solution which could take the country out of its crisis.

The brevity of the statement reinforces the view that Soviet officials do not dare to be drawn at this stage into showing either approval or contempt for the nomination of Solidarity's Mr Tadeusz Mazowiecki as Poland's Prime Minister.

Any detailed declaration on the matter from Moscow would upset either the leaderships of the hard-line states in Eastern Europe, or the delicate political balance that is now being struck in Warsaw.

Yesterday, Pravda, the Communist Party paper, published an article jointly written by its own correspondent in Warsaw and the correspondent of the Novosti Press Agency, admitting that the Polish Communist Party is undergoing "one of the most difficult periods in its history."

"The concept of a new coalition between Solidarity, the Peasants party and the Democratic Party is appearing a more and more realistic prospect for its potential partners," write the journalists, hinting, perhaps, that the Communists should play a full role in this formation.

They also add that "a unification of the Party ranks is now needed, together with a consolidation of all the Party's power to renew society, a project which has always been initiated by the Party itself".

Cabin staff disruption hits Sabena flights

A work-to-rule by 1,200 air stewards and air stewardesses caused disruption on all Sabena flights leaving Brussels yesterday, Tim Dickson reports from Brussels.

The industrial action, which involved staff turning up two hours late for their duties, came after talks aimed at finding a solution to the dispute between management and cabin staff had ended without agreement.

Sabena, Belgium's national carrier, said delays had generally been limited to two hours and only one flight to London had been cancelled.

The unions representing the disaffected workers have threatened to keep up their action until Thursday unless a settlement can be reached. The dispute centres on their claim for reinstatement of the retirement bonus paid on contracts before 1978.

Sabena says the unions agreed to end the bonus in return for a 6.5 per cent a year wage rise over the next 10 years.

Hungary aid talks

The European Community will convene a second meeting of 24 nations in Brussels at the end of September to follow up its August 1 talks on aid for Poland and Hungary, an EC official said yesterday, Reuter reports from Brussels.

It was too early to tell how the appointment of Mr Tadeusz Mazowiecki as Poland's prime minister would affect aid plans, although it was hoped he would be able to form a government to get the country's ailing economy going, the official added.

This month's meeting of leading Western industrialised nations yielded a new pledge of food aid for Poland from the US. Austria and Switzerland also said they would help.

Cyprus plan rejected

Turkish-Cypriot leader Rauf Denktash said yesterday he would not negotiate the reunification of Cyprus on the basis of ideas put forward by the United Nations, Reuter reports from Nicosia.

Addressing a crowd outside the assembly of north Cyprus, which was debating in closed session the future of the UN-sponsored negotiations, Mr Denktash said a UN blueprint submitted to the two sides last month was not a document.

He said it should not have been presented, adding: "If those ideas are on the table... we will not go to the talks."

Turkish Cypriots have sharply disagreed on the UN suggestions for a federal republic, which Cyprus President George Vassiliou has said he will accept as a basis for talks.

Mr Denktash has accused the UN of collaborating with the Greek Cypriots in preparing the blueprint and further charged that the American Central Intelligence Agency (CIA) was trying to oust him to achieve a Cyprus settlement.

France helps Tunis

France has granted financial aid to Tunisia totalling FFr1.06bn ($165m), France's Economy Minister, Mr Pierre Bérégovoy, said yesterday, Reuter reports from Tunis.

He and Mr Mohamed Ghannouchi, the Tunisian Finance Ministar, had signed four financial aid accords and a fifth for the supply of 50,000 tonnes of cereals. For the first time, the accords included a line of credit of FFr100m to promote French investments in Tunisia.

The two countries had decided to revise their 1972 investment agreement to offer greater incentives and promote the establishment of French enterprises and joint ventures in Tunisia.

Brittany 'quake

Furniture trembled on the tiny French island of Sein yesterday, as the north-wast region of Brittany experienced its strongest earthquake for 30 years, Reuter reports from Rennes.

Seismologists said the quake registered 4.5 points on the Richter Scale. Tremors were felt as far as the coastal town of Douarnenez.

Turkey will close its frontier with Bulgaria today

By **Jim Bodgener** in Ankara

TURKEY is closing its border with Bulgaria today in an attempt to stem the flow of thousands of ethnic Bulgarian Turks who have sought refuge in the country. The influx of 300,000 ethnic Turks from Bulgaria has already overstrained social resources, particularly in the north-west region of Anatolia.

The decision to close the border was announced by Mr Ali Bozer, the Deputy Prime Minister, after an emergency cabinet meeting yesterday which also decided that Bulgarians wishing to enter Turkey would need visas in future.

The arrival of the ethnic Turks began last May when the Bulgarian authorities liberalised their travel regulations as well as expelling some of the leading members of the ethnic Turkish community. The latter had become increasingly vocal in demanding cultural rights for the 900,000-strong minority.

For its part, Bulgaria yesterday denounced Turkey's decision, saying it was contrary to Ankara's commitments to accept all ethnic Turks wishing to leave Bulgaria.

The Turkish authorities said yesterday they had already informed their Bulgarian counterparts of the decision and again called for talks to regulate the migration of ethnic Turks. The matter is complicated even further by Sofia's continuing denial of the existence of an ethnic Turkish minority in Bulgaria.

This policy led to a campaign in 1986 during which the ethnic Turks were forcibly assimilated and compelled to adopt Bulgarian customs and language.

Ankara's decision yesterday is likely to lead to a wave of protests, on the grounds that the Turkish authorities are introducing a discriminatory policy towards the Bulgarians. It has already been criticised sharply by Professor Erdal Inonu, leader of the main opposition Social Democratic Populist Party, who accused the Government of a hasty decision. His views were echoed by Mr Suleyman Demirel, former Prime Minister and leader of the third largest parliamentary grouping, the True Path Party.

Brussels lobbied over mortgage finance plan

By **David Barchard**

EUROPEAN mortgage lenders are lobbying the European Commission in a last-ditch effort to prevent the dropping of proposals for a separate Mortgage Credit Directive to regulate mortgage finance inside the Community.

They are privately warning that unless progress on the Mortgage Credit Directive is resumed, there will be little prospect of establishing a single market in Europe for housing finance after 1992.

Mr Mertens de Wilmars, President of the European Community Mortgage Federation, has written to Sir Leon Brittan, vice-president of the Commission, urging the resumption of work on a separate mortgage finance directive. Work on the directive was halted in May after claims that much of its contents could be covered by the Second Banking Directive, the general legal framework for Community banking activities, which is to be formally adopted.

The federation says that the articles in the Second Banking Directive applying to mortgage finance are too limited to have any general application. "With only the Second Banking Directive in force, I do not think that we can envisage a single market for mortgage finance in Europe," said Mr Leo Mullender, the federation's secretary-general.

One of the main problems facing advocates of a separate directive for mortgage finance is that France, the current president of the Community, has cooled towards the idea in the last few months.

EC power plants cut coal imports

By **Tim Dickson** in Brussels

PUBLIC POWER stations in the European Community used marginally less imported hard coal last year than in 1987, but supplies from non-EC countries for steelworks and colliery coking plants rose markedly.

The figures are available in a new "rapid report" on Energy and Industry issued by the European Commission's statistical office.

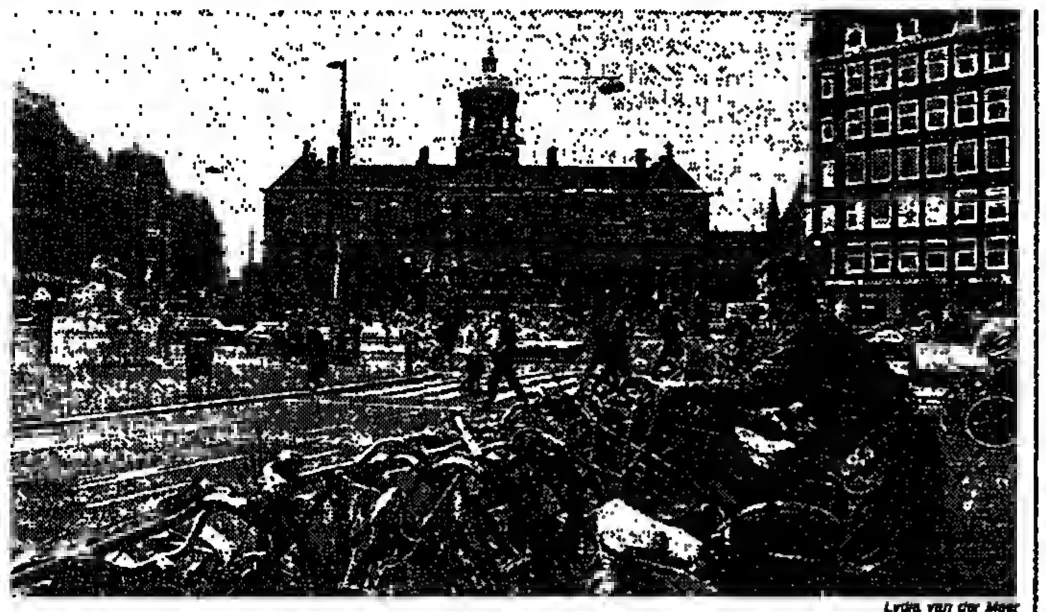
It shows that 80 per cent of the 253m tonnes of all the coal used in the EC last year went to those two most important energy consumers.

Deliveries of hard coal to power stations totalled 183.2m tonnes, 3.1 per cent less than in the previous 12 months.

Coal was a particularly important element in electricity generation in coal-producing countries, namely Britain (84m tonnes, against 84.5m tonnes the previous year), West Germany (42.1m tonnes against 43.3m), and Spain (19.9m against 19.8m).

The Commission observes that "looked at from the point of view of secure energy supplies on the one hand and electricity generating costs on the other, it is significant that 141.9m tonnes, or 77.5 per cent of total input, came from the Community." The proportion in 1987 was 77.2 per cent.

Imports last year came mainly from the US (12.1m tonnes against 9.5m. tonnes in 1987). South Africa (unchanged at 8.9m), and Australia (6.1m against 10.3m).



Lydia van der Meer

Amsterdam has long shown how to make the most of the bicycle

Brussels promotes pedal-power

By **Tim Dickson** in Brussels

AS THE corporate world gears up for a barrier-free Europe by 1992, it appears that moves are afoot to make trans-European pedalling easier and safer for the European Community's cyclists.

Mr Karel van Miert, the Transport Commissioner, indicated yesterday that plans to make EC roads safer for the Community's most ecologically-sound form of transport are being considered in Brussels.

Speaking at an International Cycling Conference in Copenhagen, he called for improved access to railway and bus stations, urged the construction of proper bicycle parking facilities to protect owners against theft, and suggested that insurance and customs formalities could be harmonised across Europe "to increase the mobility of man and his machine".

Mr van Miert, himself a keen cyclist like many of his fellow Belgians, painted a rosy picture of cycling as an activity which cuts down pollution, traffic jams and noise, contributes to energy conservation, and improves the practitioner's health.

Although latest statistics showed a 30 per cent increase in bicycle ownership over the past 20 years, he appealed for more people to take to the saddle.

At the same time Mr van Miert acknowledged that cycling could be hazardous. In 1985, the last year for which figures are available, there were 133,000 accidents and 2,800 fatalities in the EC.

The Commission, he said, was studying an external report, whose conclusions would form the basis "for putting forward possible proposals for a European policy."

In order to increase the use of bicycles as a means of transport, he added, it would be necessary to improve the safety of the appropriate infrastructure, such as having separate roads for different types of traffic where possible or at least creating special and clearly marked lanes for cyclists.

Proper tuition on road safety in schools ought to contribute to road safety in general and more frequent use of bicycles in particular.

Hungarian leader 'wants to retire'

MR KAROLY GROSZ, general secretary of Hungary's Communist Party, wants to retire at a special congress beginning on October 6, according to a senior Communist Party official, Reuter reports from Budapest.

Party headquarters declined comment, but a press statement was due to be issued later yesterday.

The Government daily, Magyar Hirlap, reported that Mr Pal Ivanyi, central committee secretary, told a meeting on Sunday: "According to my information, Karoly Grosz wants to go into retirement after the Congress."

Mr Grosz, 59, has been overtaken by the wave of reforms he unleashed by ousting Mr Janos Kadar as Hungarian leader in May 1987. He is now, however, regarded as a conservative.

In June, though retaining the title of general secretary, he lost power when a four-man party presidium was created headed by Mr Rezso Nyers as party president.

The party faces, by mid-1990, Hungary's first nationwide multi-party parliamentary elections since 1947.

"He is a man who opened the flood gates, got swept away by the tide and was drowned," one Western diplomat said, noting a remark from the French Revolution that such actions devour their own children.

Mr Grosz failed to turn up as advertised at the public meeting attended by Ivanyi on Budapest's Margaret Island on Sunday.

Mismanagement claims over vaccine for horses

By **Tom Burns** in Madrid

SEVENTEEN thousand vaccines, flown in from South Africa, were distributed by the authorities in the southern Spanish region of Andalucia yesterday in a desperate effort to stem an outbreak of a horse sickness that has killed 107 animals in less than a month.

But even as the veterinarians went to work there were allegations of mismanagement by the Andalucian regional government for the precious vaccines had been held up at London's Heathrow airport for two days and were believed by horseowners to have lost their effectiveness.

A statement issued by the Agriculture Ministry in Madrid saying the vaccine remained potent for a seven-day period did little to still mounting fears that too little had been done too late.

The epidemic was first reported more than two weeks ago and it may take another month before sufficient vaccine arrives to innoculate the more than 6,000 horses in Andalucia.

Accusations of incompetence were fuelled by the fact that the epidemic first struck horses in southern Spain and killed at least 150 exactly a year ago. This spring the Andalucia government authorities declared the epidemic to be over an lifted quarantine restrictions.

Last year, and again this year, the sickness was first reported among the polo ponies stabled at the resort of Sotogrande, near Gibraltar.

Mr David Stirling, an Argentine who runs the stables, said yesterday he had lost seven out of 245 polo ponies since the beginning of August and that one mare was "so-so". He said all his horses had been vaccinated and that the incubation period did not end until later this week.

Mr Sterling, who has cancelled 85 polo matches this month, said he reported the horse sickness as soon as it resurfaced. "Others may have simply buried their horses without telling the authorities and there may well be a break in the epidemic's chain."

Horses affected run a high fever, their eyes and their chests swell and they are usually dead in 72 hours.

Concern now centres on the province of Huelva, alongside the border with Portugal where 46 horses have died in a matter of days and a further 56 have been put down.

Officially there were no cases of the epidemic in Huelva last year and a local veterinarian said yesterday he was "astonished" that the horse sickness had struck in this area.

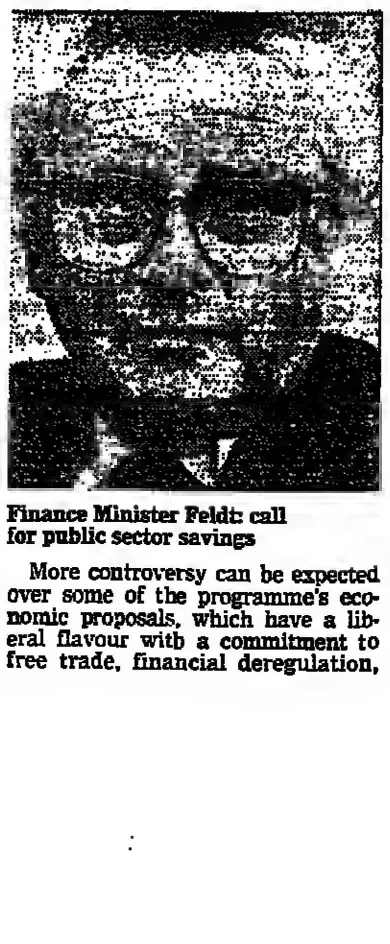
Sweden sets a new course for social democracy in 1990s

The ruling party has drawn up a blueprint with significance way beyond the country's shores, writes **Robert Taylor**

AS THE most successful exponents in theory and practice of social democracy, the Swedes have often provided an inspirational guide to others. Thus, the ruling Social Democratic party's blueprint for the 1990s, published at the weekend, will be read and monitored with interest far beyond Swedish shores.

The primacy of environmental issues in the new manifesto reflects contemporary realities in Swedish politics. The Social Democrats are taking a broad view of what the environmental question covers, beyond their non-nuclear energy policy. They are insisting that it will also need a new approach to labour market policies requiring a fundamental restructuring of industry to abolish many dirty and stressful jobs.

Through better training and more flexible working time, the goal is to transform the nature of work, giving greater freedom of choice to the individual, but within the commitment to full employment, which the Social Democrats have always ensured.



Finance Minister Feldt: call for public sector savings

More controversy can be expected over some of the programme's economic proposals, which have a liberal flavour with a commitment to free trade, financial deregulation, tax reforms to increase personal incentives and savings as well as harmonisation with the European Community's internal market.

It backs the need for economic growth but supports the present tight fiscal policy and the need for more effective measures to combat wage push inflation, most notably through a return to centralised wage bargaining within a pay norm determined by what the economy as a whole can afford.

This may be an ideological commitment within the traditional Swedish commitment to wage solidarity between workers, but it is doubtful whether in the present overheated and competitive domestic climate it stands much real chance of success.

More specifically, the document calls for greater savings in the next decade by suggesting that over the next five years savings in the public sector should increase from the present 2 per cent of gross national product to 5-7 per cent. This would mean raising SKr60bn (£5.75bn) a year.

This key proposal comes from Mr Kjell-Olof Feldt, the Finance Minister, who sees it as a sensible method of providing the means to raise more risk capital for the necessary industrial restructuring. The public pension funds and public insurance system would be encouraged to participate in the stock market by buying into private industry, a proposal that has alarmed some industrialists already.

The Swedish party also intends to give higher priority to reshaping the country's huge public services sector, where one in three workers is now employed. The document rejects the solution of privatisation for the welfare system but it bluntly underlines that future demands cannot be met - as in the past - through higher taxation.

Instead, there must be more cost-effectivs and productive use of public resources in a value-for-money service that puts the customers first through the move to greater decentralisation to local authorities and the introduction of more freedom of choice for people within the public services.

The whole programme is based on an interesting philosophical revision of what social democracy stands for. The authors, who include Mr Feldt as well as, Mr Stig Malm, the main blue-collar union leader, assert that it stands for improving the freedom of the individual to lead a good life.

The document admits there are clear limitations on how far political action can bring about the conditions for its achievement but insists that the provision of security and collective public services based on universalist principles are necessary to ensure that everybody - not just the few - have the opportunity to fulfil their hopes and aspirations.

But the document is candid enough to recognise that many young people in Sweden are cynical about and disillusioned with the political system, and the Social Democrats are too often identified with the big institutions and a power structure which no longer identifies itself with the people whose demands it is expected to meet.

There is little sign of the old class war language of the Social Democrats in the document; nor any radical attack on the nature of private capital. But the authors are keen to reassart the moral basis of social democracy. In the words of its main writer, Ms Anna-Greta Leijon, a former Justice Minister, the party is different to others in its commitment to a particular ethical code.

Such high-mindedness is a familiar characteristic of the Swedish party, giving it a special flavour that has a resonance in a country where social disciplines and respect for authority remain surprisingly strong. Whether it will travel elsewhere to more individualistic, laissez faire societies, such as Britain, is debatable.

Yet, in the breadth of its coverage the new strategy document does not suggest that the Swedish Social Democrats, despite almost half a century in continuous power, are bereft of ideas. In its blend of idealism and pragmatism the document lies within the party's tradition as a further refinement of the enduring synthesis between market economics and state welfarism.

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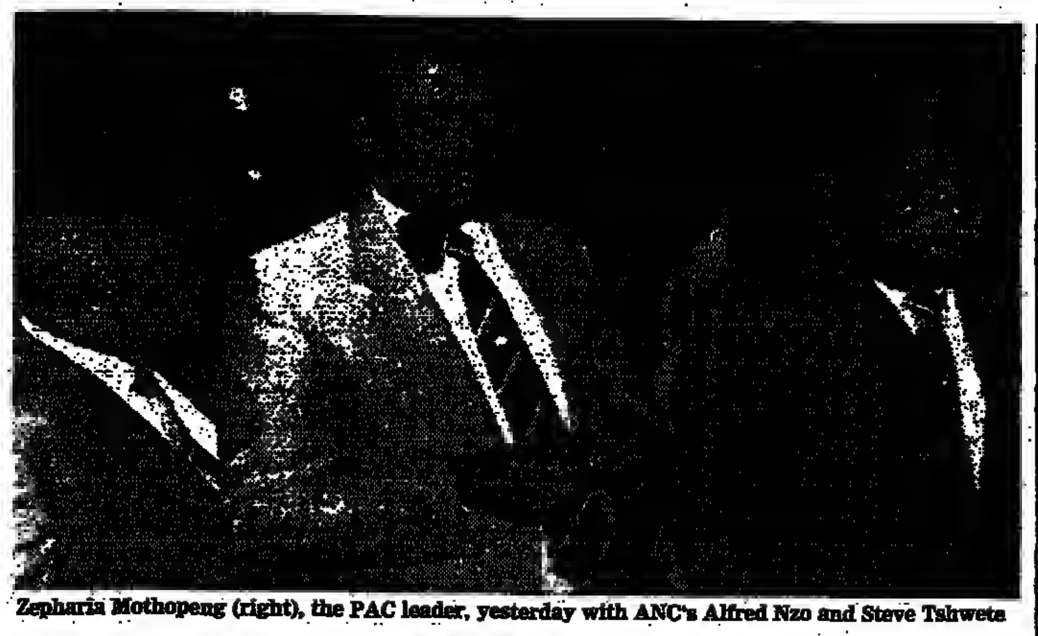
OVERSEAS NEWS



Zepharia Mothopeng (right), the PAC leader, yesterday with ANC's Alfred Nzo and Steve Tshwete

OAU agrees conditions for any Pretoria-ANC talks

By Nicholas Woodsworth in Harare

THE Organisation of African Unity has endorsed a programme drawn up by the African National Congress outlining its preconditions for talks with the South African Government and proposals for an interim administration which would draw up a new constitution.

The endorsement, given yesterday at an OAU subcommittee meeting in the Zimbabwean capital of Harare, gives formal approval to an ANC document drawn up after consultations with groups inside South Africa's anti-apartheid movement and the southern African front line states.

While the paper contains no initiatives on the resolution of South Africa's political problems, it is significant in its presentation as a definitive document on the ANC's negotiating position.

The ANC maintains its stance on the pre-conditions for talks with Pretoria. It calls for the release of all political prisoners, the unbanning of political organisations, the removal of troops from the townships, and an end to all political executions and trials.

With the fulfilment of these conditions, the paper states, discussions could take place with the South African Government for a suspension of hostilities and the opening of negotiations for a new constitution.

Once methods for the drawing up of a constitution were agreed, an interim government would be formed to supervise the constitutional process and to bring South Africa to democratic elections based on a non-racial, multi-party political system and universal suffrage.

The adoption of a new constitution would bring the lifting of international sanctions against South Africa and its membership of the OAU.

The document, which calls for discussions between the "liberation movement" and Pretoria remains imprecise about who should represent black South Africans at a negotiating table. No mention is made of the Pan-Africanist Congress (PAC), Chief Buthelezi's Inkhata movement, or South Africa's other political organisations. Differences between the ANC and the more radical PAC were underscored yesterday when Mr Zephaniah Mothopeng, the PAC president ruled out the question of negotiations in a speech to the OAU committee.

Observers at the summit have interpreted the paper as an ANC initiative intended to pre-empt the possible exclusion of the organisation from any future negotiation process. The recent departure of the ANC from bases in Angola, a reduction in Soviet support for ANC military activity, and the possibility of alternative proposals by western powers such as Britain, raised the possibility that the organisation could be sidelined in the negotiation process.

Sudan peace talks break down

By Julian Ozanne in Nairobi

THE FIRST round of preliminary peace talks between Sudan's new military junta and the rebel Sudan People's Liberation Army, aimed at resolving the country's six-year civil war, have broken down over the thorny issue of Islamic sharia laws.

The talks, which opened in Addis Ababa at the weekend, collapsed in the face of an SPLA demand for the immediate abolition of sharia.

The early failure of the talks indicates how far apart the two sides have grown following the military coup on June 30 which removed the government of Prime Minister Sadiq el-Mahdi.

Any peace talks on the civil war will have to focus on sharia law. The introduction of these laws by Gen Jaafar Nimeiri in 1983 was a key reason why the mainly Christian south rebelled. The peace agenda will also have to address the Government's traditional alignment with the Arab world through. Finally the question of what type of constitutional formula would be acceptable to all of Sudan's diverse ethnic and religious groups must be discussed.

These issues have always featured strongly in past agreements reached between the SPLA and the political parties of the north. The most recent agreement, called "the Sudan Peace Initiative", was negotiated last November with the Democratic Unionist Party and accepted reluctantly by the el-Mahdi government.

All sides agree that significant progress towards implementing that agreement had been reached before the June coup in which Gen Omar el-Bashir seized power. A date had even been fixed for a constitutional conference to bring together all political forces and groups to discuss the nation's future.

That agreement was rejected by Gen Bashir shortly after he took power. "It is like it never existed to us," Gen Bashir said. "It has no place in our efforts to solve the southern problem."

Last week Mr John Garang, the SPLA's leader, made his first public response to the new Government, which highlighted the growing gulf between the two sides.

He attacked Gen Bashir's regime for what he called its fundamentalist Islamic inclinations, and its violations of human rights. He went on to accuse the Government of having a "hidden agenda" to impose a theocratic state on Sudan and to partition the country.

Born Free hero murdered

By Julian Ozanne

VETERAN conservationist George Adamson, whose life's work returning lions to the wild was popularised in the film Born Free, has been murdered by Somali bandits at his remote wildlife camp in north-eastern Kenya, officials said yesterday afternoon.

Dr Richard Leakey, director of Kenya's wildlife department, said Mr Adamson, 83, and two of his Kenyan assistants were gunned down at Kora, a game reserve he established 18 years ago and where he lived with 16 lions and a handful of staff.

His reserva had been tha subject of incursion by *shiftas*, bands of roaming Somalis believed to be behind much of Kenya's poaching problem.

Mr Adamson, a Briton who was born in India in 1906, was a gama warden during British colonial rule. After independence he moved into wildlife conservation. With his wife Joy he attained international renown for the book and subsequent film Born Free which chronicled their efforts to return lions brought np in captivity back to the African bush. One of their lion cubs, Elsa, became known worldwide.

Mr Adamson continued living at Kora after his wife Joy was murdered by one of her Kenyan staff in 1980. Friends describe the camp as a modest game rangers' post with a few lean-to thatched huts surrounded by a wire fence.

Mr Adamson, a tall lean man with white shoulder leogth hair, bushy eyebrows, a goatee and sun-weathered skin which bore the scars of several maulings by his lions often roamed around the camp in just a pair of shorts and sandals. Often he would spend evenings at the camp talking with visitors, puffing on his old pipe and using his favourite expression "By Jove".

"George was a real wilderness man," said Mr Monty Ruben, a close friends. "The city was a strange environment to him. In the bush he was totally in control."

French try to calm Lebanese anger

By Lara Marlowe in West Beirut and George Graham in Paris

MR RENE ALA, the French ambassador to Lebanon, yesterday tried to calm the anger aroused among Lebanese Moslems by the French military build-up off the coast of Lebanon.

The deployment of five French warships to the eastern Mediterranean has provoked threats against France and against US hostages held in Lebanon.

As he left an hour-long meeting with Dr Selim el-Hoss, the Prime Minister of the Moslem government in West Beirut, Mr Ala said: "No way, no military intervention. France does not believe in a military solution in Lebanon."

His statement came as senior Foreign Ministry officials of the 12 European Community countries met in Paris to put together a joint EC aid plan for Lebanon. French officials indicated that they hoped to draw up a plan to bring urgent food and medical supplies to Beirut, and also to evaluate what could be done in the longer term, if a ceasefire should be achieved. The Foreign Ministry political directors were due to continue their discussions with a working dinner last night.

A communique issued in Beirut on Sunday night by the Revolutionary Justice Organisation threatened to harm Mr Joseph Cicippio and Edward Austin Tracy, two American hostages held in Lebanon, if the US did not prevent France from "committing a stupidity" in Lebanon. The group is believed to be a faction of the pro-Iranian Hizbollah.

In Beirut, it is widely believed that the French felt able to deploy their warships to Lebanese waters only because there are no longer French hostages at risk there.

Maronites living outside the Christian enclave have expressed fears that French actions may endanger them – as predicted by Mr Walid Jumblatt, the Druze leader.

Both Britain and the US, 12 of whose citizens are imprisoned in Lebanon, have refrained from commenting on French military activity in the region.

The US dispatched much of its Mediterranean 6th Fleet to the area during the first week of August, when a videotape purporting to show the hanging of US Marine Colonel William Higgins was released and the RJO first threatened to murder Mr Cicippio. The American and French navies are said to have carried out large-scale manoeuvres near Corsica last February whose theme was a joint hostage rescue operation.

Mr Selim al-Hoss, the Moslem Prime Minister, pictured at the damaged Barbir hospital in West Beirut yesterday

A relative calm has prevailed in Beirut since fierce artillery battles between the forces of Maj Gen Michel Aoun, the Christian Lebanese army commander, and Syrian forces eased last Wednesday. But both sides have shored up their military positions and consolidated their alliances for what many in Beirut fear could be even more violent confrontations.

Mr Abdel Halim Khaddam, the Syrian vice-president, consulted with Col Muammer Gadaffi, the Libyan leader, last weekend. Five pro-Syrian Lebanese and Palestinian leaders who had convened at a meeting in Damascus last week were still in the Libyan capital yesterday. With Libya and Iran lined up behind Syria in the conflict, Iraq and Mr Yassir Arafat's PLO have sided with Lebanon's Maronite Christians.

The French aircraft carrier Foch, meanwhile, continued to sail towards Lebanon, accompanied by the anti-air frigate Cassard. They will join three other vessels – a frigate, a petrol tanker and an escort vessel – off the Lebanese coast, and are due to be followed later by the landing craft carrier Orage, which left Brest on the Atlantic coast on Saturday morning. The Foch and the Orage both have hospital facilities.

Rafsanjani strengthens his hold

By Kamran Fazel in Tehran and Victor Mallet in London

PRESIDENT Ali Akbar Hashemi Rafsanjani yesterday strengthened his grip on the Iranian leadership by naming a moderate as his first vice-president.

The official Iranian media reported that Mr Rafsanjani had chosen Mr Hassan Ebrahim Habibi, a French-trained former Justice Minister, for the post. He would take over in the event of Mr Rafsanjani's death or incapacity.

Last week the President chose a new 22-man Cabinet, with technocrats set to take several important portfolios associated with the economy.

He also dropped Hojatoleslam Ali Akbar Mohtashemi, the hardline Interior Minister, and there was speculation that he might try to appease his radical opponents by giving the job of first vice-president to the outgoing Prime Minister, Mr Mir Hossein Mousavi, whose office was abolished.

The Majlis (parliament) is expected to begin voting on the cabinet nominees - but not the vice-presidential posts - at the end of this week. Although the Majlis has the power to reject Mr Rafsanjani's candidates, the Iranian media has shown a rare degree of unity in urging parliamentarians to support the President.

More than half the MPs urged Mr Rafsanjani last week to retain Mr Mohtashemi, but yesterday a deputy from Tabriz attacked the outgoing minister in his absence for failing to answer a Majlis summons to answer questions.

Mr Mohtashemi is regarded with distaste in the West for having helped to establish the Lebanese Hizbollah organisation, accused of being behind the kidnapping of Westerners.

Yesterday an Iranian newspaper suggested that the 17 Western hostages could be used as bargaining counters to prevent outside interference in Lebanon. "To prevent foreign intervention, a lever in the hands of Moslem combatants in Lebanon was the susceptibility of Western governments vis-a-vis the hostage issue," said Abrar in an editorial.

Japan's Socialists shift stance

By Robert Thomson in Tokyo

LEADERS of the Japan Socialist Party, attempting to build on impressive gains made at a recent election, have formally announced significant changes to traditional policies, and given an undertaking to maintain the Japan-US security treaty should the party head a coalition government.

At a meeting of officials from party branches around the country, Mr Tsuruo Yamaguchi, the JSP secretary-general, said that the party has to adopt a more "realistic" approach if it is successfully to form a coalition with three other opposition parties and eventually take office.

Mr Yamaguchi said that the previously opposed Japan-US Security Treaty would be maintained to ensure "continuity in foreign policy", while the nation's army, the Self Defence Forces, would be sustained on the understanding that defence spending be kept below 1 per cent of Gross National Product and that there be a trend towards scaling down the forces.

The party's leaders are attempting to balance demands by its more ideological members by implying that the compromises on traditional policy must be made if a coalition is to have any chance of surviving. At the same time, the party is hoping that its more moderate tone on these sensitive issues will no longer alienate potential voters who have been unwilling to risk voting for the party, despite deep disillusionment with the ruling Liberal Democratic Party.

● Japan has claimed the title of the world's most asset rich nation and displaced the US, according to the latest available figures, which were published prominently in the Japanese financial press yesterday.

The country's national assets, which include securities, deposits, production equipment, and real estate, among other things, were said to be $43,700bn at the end of 1987, an increase of 54.5 per cent from a year earlier, and well above the then US figure of $36,200bn.

The sharp rise in Japan's asset value during 1987 followed the yen's appreciation against the dollar, which began the year at around Y160 and finished at Y122, and a surge in land and stock prices on the country's markets.

Indo-Pakistan glacier dispute

By Christina Lamb on the Siachen Glacier

THE WAR on Siachen Glacier, the world's highest battlefield, is set to continue after Ms Benazir Bhutto, Pakistan's Prime Minister, admitted that the latest round of talks with India had failed.

Ms Bhutto was within sight of Indian troops yesterday as she visited frontline positions at 17,000ft on the glacier where artillery shells had fallen just hours before. She said "agreement seems very difficult now ... everyone's quite dug in for another winter".

War has been raging intermittently in this inaccessible area high in the Himalayas, since 1984 when Indian troops crossed the line of control agreed in 1972 in Simla and began displaying Siachen on maps as their territory.

Hopes of an agreement to end the dispute were high after defence and foreign secretaries from India and Pakistan met in Islamabad in June. They said India had agreed to go back to positions held in 1972.

However the Indian army apparently reacted strongly to this concession and with an election due, Mr Rajiv Gandhi, the Prime Minister, did not want to be seen as selling out to their traditionally hostile neighbour.

Under the proposed agreement Pakistani troops would also be required to move back some 5km and according to an aide of Ms Bhutto the sticking point is how to administer the area in future. "We've both built access roads and bases so what's to stop an ambitious Indian general or Pakistani brigadier deciding to encroach?"

Israel row at killing by 'tourists'

By Tony Walker in Jerusalem

A ROW is brewing in the Israeli Government over the shooting at the weekend of a Palestinian in the West Bank town of Bethlehem by soldiers who reportedly masqueraded as tourists.

Mr Gideon Patt, Israel's Tourism Minister, has asked the Defence Ministry for an explanation. His spokesman said yesterday the minister would comment whan more details became available.

Eyewitnesses reported that after masked Palestinian youths had thrown stones at an army patrol near Bethlehem's marketplace, young male "tourists" in shorts and carrying backpacks had pulled ont guns and opened fire. Ona of the stone-throwers was fatally wounded in the chest.

Mr Elias Freij, the Mayor of Bethlehem, has expressed concern over the affair. The mayor, a Palestinian moderate, said he was worried that such incidents would frighten away visitors from Bethlahem. He was also concerned about how tourists would he treated: "Now townspeople will suspect that visitors might not really be tourists."

Israel military censors had barred publication of local press reports of the Bethlehem incident for more than 24 hours for "security reasons". A military spokeswoman refused comment on the affair, saying: "We will not reveal how we behave operationally."

Corporate India's dialogue of the deft

By R.C. Murthy in Bombay

"YOU have conquered my heart and not my head." This is not a quotation from a Shakespeare play but a gentle rebuke from a shareholder of Larsen and Toubro, a high-technology engineering company.

Professor V.B. Kamath, a retired lecturer from Bombay University, was responding to the plea of the chairman of L&T to appreciate the new dynamism that has accelerated growth during the past six months. "I need your blessing," implored Mr Dhirubhai Ambani, the company's chairman.

There has been a distinct change in the style of the shareholders' meetings at Larsen and Toubro since it became part of the Ambani conglomerate late last year. Reliance Industries, the flag ship company of Mr Ambani, has been the fastest growing in India's corporate sector.

Yesterday's meeting was more a dialogue between the speakers and the chairman, forgetting the existence 3,000-odd shareholders in the auditorium. Queries from shareholders are answered then and there. "This is Ambani style," remarked a shareholder.

The extraordinary general meeting was called to approve a proposal to float a Rs9.2bn (£353m) convertible bond issue to shareholders of Reliance Group companies. The size of the issue was reduced yesterday to Rs8.2bn after the Government denied permission to allot Rs1bn to the International Finance Corporation, a World Bank affiliate.

No shareholder referred to charges of conspiracy to murder Mr Nusli Wadia, who is chairman of Bombay Dyeing and a traditional business rival of Ambani, levelled against a Reliance executive late last month.

In a bid to forestall any shareholder raising the issue at the meeting, Mr Ambani was constantly urging them to stick to the agenda. The management took care of the traditional troublemakers.

Most shareholders came for the snacks and coupons for ice creams liberally distributed. There were some half-a-dozen shareholders like Prof Kamath who had done their homework for the meeting. Prof Kamath is a shareholder of some 30 companies, participating in the deliberations of their general meetings. "I am determined to maintain the character of this professionally-managed company. I am a freedom fighter," asserted the bearded professor, referring to his participation in the fight against the Raj.

But there are several other shareholders who either represent business rivals, or want to catch the eye of the management. Inconvenient questions are passed over by Mr Ambani with a standard reply: "My doors are open. Please come and discuss with me over a cup of tea. We will provide everything."

Some of them seek favours in business while others are "professional shareholders" with just a couple of shares in different companies, and who use meetings to blackmail managements for special favours.

Mr Ambani yesterday carefully picked the speakers who sang the praises of the management. "You have developed a technique of smooth take-over (of companies)," remarked one shareholder.

The crunch came when a shareholder demanded a poll on certain resolutions, but lost since be did not have tbe qualifying 500 shares in tbe company to enforce the poll.

'Emperor' Deng suffers birthday blues

Peter Ellingsen reports on how China's leader is coping after a decade in power

HE REMAINS the undisputed emperor, but as he celebrates his 85th birthday today China's *paramount* leader, Deng Xiaoping, finds himself facing more problems than at any time since he assumed power a decade ago.

Normally the patriarch's birthday would be a cause for celebration, but it will be a sober time in the Deng household. With fallout from the bloody June massacre undermining his economic reforms and popularity, Deng, whose health is said to be poor, has little reason to rejoice.

Not only is his chosen successor, former Party boss, Zhao Ziyang, in disgrace, but the pragmatic values he has extolled are under attack. While no one doubts that Deng, as head of the Central Military Commission, approved the army's brutal assault on democracy protestors 10 weeks ago, it is equally true he justifies the crackdown in political rather than economic terms.

Others in the elderly hierarchy now ruling China have seen the student-led uprising as an opportunity to return to orthodox Marxist economics, which challenge Deng's vision. He has been combating the extremists by quietly allowing a personality cult to surround him. A film aulogising his early army career is showing in Peking and the media is re-running his old speeches.

A speech of Deng's from 1956 was published on the front of all main newspapers. Called "Integration of Marxism and China's Actual Conditions", it is viewed as an attempt to prevent China from lurching too far to the left. Diplomatic sources see the re-emergence of the speech as a warning to leftists, particularly old cadres Deng called on to help crush the democracy rallies, against reinstating Maoist ideals.

Deng, who is widely believed to have cancer, is resting at the seaside resort of Beidaha. There have been conflicting reports about his health; with some suggestions that ha may be seriously ill. A photo accompanying a People's Daily article yesterday was dated July 2.

Deng Xiaoping: his 85th birthday has coincided with the re-emergence of a personality cult

Sources say that President Yang Shangkun, a hardliner with strong family connections in the army and who is in good health, is positioning himself to take the number-two position in the Central Military Commission as a prelude to succeeding Deng.

Reports that Yang had engineered tha detention of Defence Minister, Qin Jiwei, an ally of both Deng and the disgraced Zhao, have been denied by officials. However, problems created by the snccess of Deng's economic reforms remain, and provide ammunition to those who want to return the country to rigid leftist economic policies.

UK hardens Hong Kong stance

By Michael Marray in Hong Kong

THE DIPLOMATIC row between Britain and China over the stationing of People's Liberation Army troops in Hong Kong after 1997 hss hrought differences between the two sides into the open, and they are likaly to be a source of contention at next month's meeting of the Sino-British Joint Liaison Group, the first since the June 4 massacre in Peking.

Recent accusations by the Chinese Foreign Ministry that Britain had violated the Sino-British joint declaration by suggesting that China should not station the army in the territory were quickly brushed aside by Mr Francis Maude, Foreign Office Minister with special responsibility for Hong Kong, who said in an interview with the BBC that China's reaction was "ridiculous".

The PLA issue was publicly raised last week by Mr Barrie Wiggham, Hong Kong's Secretary for General Duties, a post which oversees details of the change of sovereignty in 1997, who questioned whether China needed to station its troops in Hong Kong. Mr Wiggham also addressed the likely pace of reform in the territory under the Basic Law, which will sarve as a constitution for Hong Kong, and suggested that China might extend "what is after all s self-imposed timetable" for the drafting process.

"Most of the points he made have been consistently made by members of the Basic Law *consultative committee*," commented Mr James Tien, a committee member, who said that he supported the comments as reflecting the genuine concerns of the Hong Kong people.

Mr Tien said the objection is that a statement by someone in Mr Wiggham's position is seen as an official Hong Kong position - and even more important as an official UK position - which China felt should be conveyed througb the JLG and not via a public speech. However, witb tbe consultation period on the Basic Law ending in October, the high-level decision for Mr Wiggham to make his pnhlic comments may be designed to rekindle public dehate on the Basic Law, and convince a disillusioned Hong Kong populace that Britain is willing to adopt a more forceful role.

"It is e sign that Britain is doing the kind of thing that Hong Kong people have been asking it to do – not just to defend Hong Kong's interests behind closed doors, but to do it in public, and if necessary run the risk of a bit of a row with China," said Mr Richard Margolis, a former deputy political adviser to the Hong Kong Government.

Meetings of the JLG, which were suspended by Britain in the wake of June 4, are the normal forum for Britisb representations on the smooth transition to the transfer of sovereignly and progress oo the Basic Law. The drafting process is an internal matter for China, which is consulting with the people of Hong Kong, but the Basic Law must conform with the joint declaration, giving Britain a legitimate interest in the final model.

OVERSEAS NEWS

Concluding our series, FT correspondents look at the politics of refugee communities and the policies of the countries that host them

A united nation without a state

MAHMOUD, his wife Aliya and their five small children live in a second-floor apartment on the hillside above the Ain Helwe Palestinian refugee camp in Sidon.

Their home is simply and sparsely furnished, but by refugee standards, they are well off. Both are teachers employed by the UN Relief and Works Agency. They have no nationality – only brown Lebanese residence cards that identify them as second-generation Palestinian refugees.

They sit with a neighbour drinking tea. They all follow news of developments in the Israeli-occupied territories and of Palestinian political initiatives. Their response, like that of many other Palestinian refugees in Lebanon, is equivocal.

On the one hand, the *Intifada*, or uprising, in the West Bank and Gaza Strip and the declaration of a Palestinian state last November by the Palestine Liberation Organisation have undoubtedly boosted the morale of the 492,000 refugees in the country. They have further strengthened their sense of Palestinian identity, and given the refugees a new basis on which to organise.

Posters in support of the uprising cover walls in Beirut's Mar Elias, Sabra and Chatila and Bourj al Barajneh camps. Passions have been stirred by the deportation to Lebanon by Israel of 56 Palestinians since

IN SEARCH OF REFUGE

the Intifada began in December 1987. Most of the deportees have settled in the Sidon camps of Ain Helwe and Mieh Mieh, where they have been giving lectures on their treatment at the hands of the Israelis and the progress of the uprising.

On the other hand, the new enthusiasm of the refugees in Lebanon is tinged both with frustration and with a note of hopelessness. Life is depressing for the thousands of guerrillas who wait in enforced idleness in the southern town of Sidon unable to participate in the "liberation of Palestine".

And the PLO's political initiatives have in a sense also heightened the refugees' fears for the future. Although the organisation has made the "right of return" – however that is defined – one of the conditions for any settlement with Israel, the Israelis would never allow unlimited migration to the as-yet hypothetical Palestinian state. Moreover, most of the Palestinians in Lebanon came from northern Israel, from Jaffa and the villages of Galilee.

"We know they will never let us go home," Mahmoud says. "My friends and I are talking about this all the time. And we are frightened. We don't come from the West Bank. We come from Haifa which is now in Israel.

"If Abu Ammar (Yassir Arafat) gets a state on the West Bank, we are not going to be invited to live there. We may get passports, but nothing else. And we'll be stuck here in Lebanon. There will be fewer of us and the Lebanese will treat us worse because they will say you have a country now, why don't you go there?"

The closing door to sanctuary. Edward Mortimer asks why the West's humanitarian standards are being eroded, Page 17

Most refugees survive on rations of fuel, bread, water and other staples distributed by UNRWA, which also provides basic schooling – separate from government schools – in both Lebanon and Syria.

Lebanon's refugee camps have been destroyed and rebuilt countless times and their dirt roads, open sewers and grey concrete huts are by definition temporary. As a result of shelling by one hostile party or another – the pro-Syrian Shia Moslem fighters who instigated the bloody "camps war" several years ago or the Christian forces in East Beirut – many Palestinians have been turned into refugees from the refugee camps themselves.

But the abiding memory for them all is the departure from Palestine. Mariam, another refugee, remembers fleeing across the hills of Galilee and southern Lebanon on foot as an adolescent in 1948.

"My parents live in Rashidieh," she says, referring to the refugee camp on the outskirts of the southernmost Lebanese city of Tyre. "More than 40 years they have waited there, and every day they look south and see the hills of Palestine.

"My mother still keeps the deed to our house and the front-door key in her sewing box. She took the key with her because we thought we would go back a few days later when the fighting was over. But we could never go back. My mother knows the key and the papers are useless now, but she can't bring herself to throw them away."

Lara Marlowe

The most political people in the world

EVEN the simple Afghan hill shepherd, who, 10 years ago thought the world stretched little further than the next valley can now talk knowledgeably about world affairs gleaned through avid listening to the BBC.

Afghan refugee camps in Pakistan serve as fighting bases as well as living places. Each family has sons at the front, and with an estimated 10 per cent of Afghanistan's 15m population killed in the war, all have lost relatives.

Every evening as dusk falls man of the camps gather together in hujras for "gobshop", passing the *hookah* (waterpipe) and discussing developments both political and military, grilling the latest arrivals for news.

Says Hadayat Arsala, Finance Minister in the Mujahideen interim government: "Frankly the whole nation is politicised now."

Counting party membership of the 3.5m Afghan refugees living in Pakistan would appear at first sight to bear this out. But political awareness does not translate into political party loyalty. For, without a card of one of the seven resistance parties, a refugee cannot be registered and therefore can claim no rations and has no status. Pakistan says this is because parties are better able to check whether a refugee is genuine and not an agent of KHAD, the Afghan secret police.

The only survey carried out in camps found less than 2 per cent would vote for one of the leaders. Its author, Professor Majrooh, was assassinated in Peshawar shortly afterwards, police suspect by followers of the guerrilla commander Hekmatyar.

Of 300 refugees questioned for the FT, the percentage was much higher. Some 26 per cent said they would vote for one of the leaders, but these camps were near Peshawar, headquarters of Afghan resistance, and thus most under party influence. Parties have agents in every camp to make a beeline for immediately recognisable western journalists or diplomats and ensure they get the party line.

Prof Majrooh was not the only intellectual to be killed, Professor Amin, who runs the Writers Union has had three death threats recently, and Tajwar Kakar, who headed a school for women, was forced to take her family to Australia after repeated warnings from Hekmatyar's party over her refusal to wear a *burqa*.

More than half the refugees are children and thus schools are an important venue for spreading ideology. Though most of the Islamic agencies are doing good work, they have been given a bad name by reports of Wahabi atrocities on the warfront and proselytising in camps, in particular in Baluchistan where refugees have been told it is *Jehad* (holy war) to kill an Arab.

Dr Abu Hafis is director of a Kuwaiti organisation, the Islamic Call, which as well as providing medical facilities, prints Islamic booklets and has Koranic centres for children in 20 camps. He says no one can impose his way of *thinking* on the Afghans, but adds: "Many Afghans are illiterate and follow *pirs* or *imams* and venerate graves for no reason. This will die out as they are educated and find out in their books that their views are wrong."

Apart from Hekmatyar and Abdur Sayyaf who both live in specially built party camps, party leaders are rarely seen in camps. Each of the seven claim they are the most popular and that most commanders in other parties are really their men.

Nasirbagh, one of the first camps, is a showplace just outside Peshawar frequented by visiting dignitaries including US President George Bush. If anywhere parties tried to extend influence this is it.

Yet it is the tribal elders not party officials who wield control. A committee of "whitebeards" or *maliks* (elders instantly recognisable by their intricate turbans, white beards and gnarled faces) keep order and sort out the problems of the 47,409 registered inhabitants hailing from six main tribes, mostly from Nangahar and Kabul.

At first Pakistan tried to organise camps on tribal or ethnic lines but, as refugees flooded in, newcomers would be bussed to camps wherever they came from or whichever party they belonged to.

Like Nasirbagh, all 354 camps are organised on a tribal basis, run by of maliks. Groups of whitebeards are always clustered around Peshawar's refugee offices, sorting out problems for the subtribes and areas they represent.

Ahmed Zeb, protocol officer from Pakistan's refugee commissionerate, believes this system of allowing elders to "police" the camps is why there have been so few problems amongst the world's largest refugee population.

"When they came we let them follow traditional tribal laws and these are very strict." Disputes are referred to a *jirga* (council of elders) which listens to both sides and whose decision must be obeyed. In a recent adultery case a jirga sat all night and announced a death sentence to both the man and woman. By dawn both had been stoned to death.

Ten years of war and the migration of half the population can hardly have failed to change Afghan society, but the bigger changes are inside the country. In the camps even the biggest guerilla commanders still pay respect to maliks but inside Afghanistan many have become warlords and may be reluctant to relinquish their new authority. Fitting the new and the old back together will be a near-impossible task.

Christina Lamb

The fine print on the door of the new home

AUSTRALIA resettles more refugees per head of population than any other country. Since the Second World War it has accepted 450,000 refugees and displaced people.

Most of these have come in under the country's Refugee Programme, where the principal qualification for admission is the United Nations definition of a refugee.

But Australia also operates a Special Humanitarian Programme, where the individual concerned lives in fear of prosecution rather than persecution. Typically, they are people who have suffered severe discrimination or a violation of their human rights, and have a connection with Australia.

In 1985-86, the last year for which details are available, Australia accepted 7,500 people under the Refugee Programme, most from Indochina and just more than 4,000 under the Special Humanitarian Programme. Of these, 1,400 came from Asia 1,100 from the Americas and almost 1,000 from the Middle East.

In the most recent year, which ended in June, Australia accepted 12,500 refugees, and expects a similar number in the current year. It has another 1,500 places in a "contingency reserve".

In Canada, like Australia a country which in both proportionate and absolute terms accepts one of the highest populations of refugees, the Government recently introduced new measures to deal with the enormous backlog of foreign nationals already in the country who have claimed political refugee status.

Between 21 per cent and 23.5 per cent of the 150,000-160,000 immigrants admitted to Canada this year are expected to be refugees.

The new measures took the form of a C$100m programme to provide an accelerated review of the more than 124,000 cases pending.

The country, which claims already to have accepted 120,000 Indo-Chinese refugees in the past 10 years, is showing some willingness to help in the event of a crisis in Hong Kong.

In a recent speech, Employment and Immigration Minister Barbara McDougall proposed accepting an additional 1,000 refugees from the colony's long-stay camps over 12 months.

Meanwhile, Britain comes low down the European league table for accepting asylum seekers, and refugee welfare organisations are critical of a number of recent moves which they fear will make it even more difficult for people to be accepted as refugees.

These include carrying out entry-clearance arrangements at the point of departure rather than after arrival in the UK; fines on airlines for bringing undocumented passengers to Britain and changes in appeals procedures.

Critics of the Government say that the growing use of the new "exceptional leave to remain" provisions rather than full refugee status gives a weaker level of security for those people who do succeed in remaining in Britain.

Until 1984, a considerable number of applicants who did not meet the United Nations's 1951 Convention and 1967 Protocol's full definition of refugees were granted asylum which gave them similar benefits, but today any applicant who would have qualified for asylum under the pre-1984 arrangements is granted full refugee status.

This entitles applicants to remain in Britain for four years. They may then apply for indefinite leave to remain in the country, or settlement.

Other applicants who do not meet the full requirements of the UN convention are sometimes allowed exceptional leave to remain in Britain for a specific period if it appears that it would be "unreasonable in all the circumstances" to force them to return to their country of origin. Applicants granted exceptional leave to remain may apply for indefinite leave if they are still in Britain after seven years.

About 5,100 applications for refugee status were received last year of which 960 were granted. This was the highest number granted since 1983, and largely reflected an increase in the granting of refugee status to people from Ethiopia, Somalia, Sudan and Afghanistan.

Chris Sherwell, David Owen and Alan Pike

Tamils forced to rejoin the queue for asylum

THE queue at the British High Commission on Galle Road, Colombo was joined one morning recently by four young Tamils whose deportation, with a fifth youth, from Britain in February last year has since been ruled unlawful by the British Immigration Appeal Tribunal, Mervyn de Silva reports from Colombo.

The UK High Commission says the whereabouts of the fifth youth is unknown. There is no trace of him since his return to the island.

British Ministers insisted for more than two years that returning Mr Saravanmuthu Sivalnmaran, Mr Navaratnasingam Vathanan, Mr Vythialingam Skandarajah, Mr Nadarajah Vilvarajah and Mr Vinasithamby Rasalingam, now missing, to Sri Lanka was safe and that they were not genuine refugees in immigration law.

But the tribunal found that one of the five sent back had been detained for three months and tortured, one had been brutally beaten by police and one was in hiding and members of his family had been tortured. They were at risk of political persecution and should not have been returned.

Back in Colombo now, normally they would have had to wait with only about a dozen other applicants for visas but the queue has lengthened in recent months with mounting political violence in both the Tamil north and the Sinhalese south of the island.

At the same time the provincial council in the Tamil north east is reported to be setting up a "volunteer force" to police the area after the withdrawal of the Indian soldiers. Young Tamils are fleeing to Colombo and joining the queue to dodge what they call "conscription".

So visa officers at mainly Commonwealth, US and EC embassies are being faced with the unpleasant task of deciding which applications are by bona fide businessmen and tourists and which by people planning to claim refugee status and use the law, its flaws and delays, to settle permanently.

The qualified professionals and the wealthy, with property or money in the would-be "host" country, encounter few difficulties. For the less prosperous, frightened by the rampant violence and worried about their children's future, it is more difficult.

West Germany is home to the largest number of Tamils – more than 30,000. Most German courts have allowed the Sri Lankan refugees to stay. The same is true of the Scandinavian countries.

The Dutch have succeeded in sending a small batch back but only after the Dutch ambassador in Sri Lanka played "undercover agent" at Colombo airport and reported that Tamils who had argued that they would be arrested on arrival left the airport in an air-conditioned coach with a group of Swiss tourists bound for a modest city hotel.

The most publicised case is that of Mr Viraj Mendis, a Sinhalese, now living with his English wife at his family home in Moratuwa, 10 miles south of Colombo. Mr Mendis sought asylum for two years in a church in Manchester before being arrested and deported. He still claims he was the victim of British "racism".

Mr Mendis, a Sinhalese, identified himself with the Tamil cause which he said meant his life was endangered if he returned to Sri Lanka.

The official British view is that he took up that Tamil cause only to strengthen his own case for refugee status.

AMERICAN NEWS

Mexico declares Cananea copper mines bankrupt

By Richard Johns in Mexico City

THE MEXICAN Government has declared the state-owned Compañia Minera Cananea bankrupt, and dismissed the entire staff at the complex that makes up Mexico's largest copper mines.

The decision comes in the face of a strike, which was set for August 28 unless the unions' large demands for increased wages and benefits were met.

Some 4,000 troops with machine-guns, supported by four helicopters, were reported to have occupied the mines – responsible for some 2 per cent of world supplies and exporting 40 per ceot of its output – and sealed them off to prevent access by 600 workers due on the morning shift.

A main concern was the danger of sabotage by workers and protection of such materials as some 70 tons of dynamite.

All 2,890 miners – members of the militant Section 65 of the Mexican miners' union – and 880 other staff were laid off.

Nafinsa, the state development bank which holds the government's 99.8 per cent shareholding, said the Cananea company was unable to meet its debt obligations, as well as give in to the miners' demand for a 65 per cent wage rise and a packet of fringe benefits which, according to the management, would constitute an effective increase in remunerations of 330 per cent.

Cananea owes Nafinsa $578m, American Express $67m, suppliers pesos 25bn ($10m) and the Treasury a further pesos 20bn.

The real aim of the Government appears to be to break the union and reduce manning to prepare the company for privatisation – having failed to sell it twice last year.

Despite being dogged by an obstructive work force and debt obligations, Cananea achieved in 1988 a net profit of pesos 170.4bn ($74.7m), a fourfold rise over the 1987 level, on sales of pesos 765.3bn.

Mr Luis Perez Aceves, director-general of the company, has stated that agreement with the union is impossible. He also said that 40 per cent of the workforce was superfluous and complained of much absenteeism.

The cost of producting a pound of Cananea copper is reported to be 90 US cents, compared with an average of 55 to 60 cents elsewhere.

Cananea's labour problems, as well as its infrastructure and some of its antiquated plant, were believed to be the main reasons why bids last October, when the mine was put up for sale for a second time, fell far short of tha $1.1bn price set by the Government.

The mine has larger proven reserves and a higher concentration of ore than Mexicana de Cobre, which was bought for $1.36bn by interests headed by Mr Jorge Larea, head of Grupo Mexico, one of the big-four Mexican mining groups.

Letting Reagan's backyard slip away

Lionel Barber appraises Washington's attitude to Central America

FIVE Central American presidents recently called for the disbanding of the Nicaraguan Contra rebels – an event which ought to have provoked a fierce reaction in Washington.

The Contra cause was a consuming passion of President Reagan, who compared their struggle to that of the Founding Fathers of the US, battling against the British.

Yet the reaction from the White House and State Department last week to the Central American agreement at Tela in Honduras was tepid.

The Department was at pains to deny the Tela accord was either a setback or a surprise. Mr Marlin Fitzwater, White House spokesman, said lamely: "It is too early, and unfair, to say tha game is over."

This is wishful thinking, according to Mr Pat Buchanan, White House communications director under President Reagan. In the conservative Washington Times last Monday, he said: "And so the Contras pass into history alongside other fighting allies against communism... and now that Nicaragua has been made safe for communism by the Congress of the United States, the name of the game is: Escape the blame."

Mr Buchanan may well be correct, but his anger misses a development which could be even more important in historical terms: the increasing tendency by Central American countries to go their own way in the absence of direction from the US.

Diminishing US influence first became apparent in August 1987 when President Oscar Arias of Costa Rica secured approval among his fellow Central American presidents for a regional peace plan aimed to end the civil wars in Nicaragua, Guatamala and El Salvador.

The Reagan administration – facing a hostile Democratic majority in Congress which had the power to block military aid to the Contras – agreed reluctantly to support the peace initiative.

But Washington's subsequent diplomatic approach was half-hearted: Mr Reagan still hoped he could press Congress to support further arms shipments to topple the Sandinista government in Nicaragua, and Mr George Shultz, then Secretary of State, was unwilling to fight to change his mind.

The new Bush administration was supposed to break this stalemate between the Republican executive and the Democratic majority in Congress. The new buzzword was touted as "bipartisanship", a joint foreign policy approach by the legislative and executive branches.

Yet the last seven months, since the new administration began, are striking for a lack of influence by the administration over events, despite its professed snpport of diplomacy.

Mr Fred Iklé, former senior Defence Department official, says one reason is that it took the administration some time to instal key appointees at the State Department, notably the confirmation of Mr Bernard Aronson, Assistant Secretary for Inter-American Affairs, who succeeded the conservative firebrand Mr Elliott Abrams.

More important, perhaps, is the flawed nature of the bipartisanship accord struck in February by Mr James Baker, Secretary of State, and Democratic Congressional leaders. The agreement cut off military aid for the Contras, maintaining humanitarian assistance, bnt gavs Democratic committee chairmen power to review and veto the agreement in November.

Mr Baker's moves won support among Democrats, who enjoyed being given a seat at the foreign policy table. They may have been the necessary down-payment of goodwill by an administration which has to work with Democratic Party's majorities in the House and Senate.

However, some officials, notably Mr Boydsn Gray, White House counsel, objected that Mr Baker's agreement amounted to an infringement of presidential prerogative in making foreign policy.

Others believed, correctly as it turns out, that the accord was a cover for the administration to put distance between itself and the Contras. According to Mr Adolfo Calero, political leader of the Contras, Mr Baker even joked about relocating the Contras to his Texan ranch.

All this might not have mattered if the administration had been able to exert influence through diplomacy.

But, at Tela, both the presidents of Honduras and Guatamala went their own way and backed Nicaragua's call for disbanding the Contras within 90 days. El Salvador, the other main US ally in the region, followed suit, partly because it had no inclination to be the odd man out.

One excuse heard in the corridors of the State Department is that officials are caught in a bind: They know the military aid option is dead but, if they engage in high-profile diplomacy, they are bound to be attacked by the conservative right wing for selling out the Contras.

Yet this dilemma could have been easily avoided if Mr Bush had intervened to invite one or two of the Central American presidents to Washington, Mr Ikle suggests. (However, this might hava caused problems for a president preoccupied with hostage diplomacy in Middle East.)

Officials now say that they intend to focus on securing free and fair elections in Nicaragua next February, and trying to encourage the internal opposition there to support one single candidate.

Mr Baker will press his Soviet counterpart, Mr Eduard Shevardnadze, to halt military aid to the Sandinistas. (Moscow says it has decided to stop arms shipments, but the US administration still refuses to confirm or deny that this has occurred.)

The overriding impression, for all that, is one of apathy. At President George Bush's news conference last Tuesday, not one question was asked about Nicaragua.

The US seems cast as a bystander, an impression reinforced by former President Jimmy Carter's decision to accept an invitation from Managua to be an observer of the election in February. He did not bother to seek approval from the Bush administration.

Brazilian opposition veteran falters in presidential bid

By Ivo Dawnay in Brasilia

MR ULYSSES Guimarães, the Grand Old Man of Brazilian politics, is fighting for his political life after a widespread rebellion within his party at his continued candidacy for the presidency.

His resignation could radically alter the outcome in the presidential race, dominated for the last four months by Mr Fernando Collor de Mello, young ex-governor of tha small north-eastern state of Alagoas.

With less than three months before the poll in November – Brazil's first direct presidential elections for 29 years – leading figures in the Brazilian Democratic Movement Party (PMDB), which dominates Congress, are publicly hinting that the veteran campaigner should step down.

Mr Guimarães, aged 72, has consistently scored less than 5 per cent in the opinion surveys, where he scores a high rejection rate. Mr Collor, aged 40, remains near 42 per cent, trailed by Mr Leonel Brizola, the populist former governor of Rio de Janeiro, with about 12 per cent.

The PMDB veteran's lacklustre performance, despite many campaign tours, is matched only by that of Mr Aureliano Chaves, a vice-president under the military regime who stepped down in 1985, as candidate for the right-wing Liberal Front Party (PFL). He has rarely recorded more than a 2 per cent voter approval and is also under pressure to give up.

The high rejection rate for the two men is widely considered to reflect the electorate's anger at the government of President José Sarney.

The two parties formed a coalition to support the Sarney administration, provided ministers and frequently intervened in economic decision-making – so they are widely seen as responsible for Brazil's economic turmoil and high inflation (about 30 per cent a month).

Mr Collor, though, has won solid support as an early critic of the administration and as champion of a "clean-up government" programme.

If Mr Guimarães does step down, a main beneficiary could be Mr Mario Covas, a moderate on the centre-left who deserted the PMDB last year to form the Social Democratic Party (PSDB).

Many senior party leaders have already deserted Mr Guimarães in favour of Mr Collor. Others, including the governors of Brazil's three most powerful states (São Paulo, Rio de Janeiro and Minas Gerais), are sitting on the fence.

Last weekend, Mr Guimarães tried to whip up his campaign with his first direct attacks on his young rival. But most analysts believe that age alone is enough to sink the hopes of the PMDB leader who led the opposition to Brazil's military regime when the going was hardest.

"His candidacy," said one, "is merely the vanity of an old man."

THE WAR AGAINST DRUGS

Three American soldiers on patrol as part of an anti-narcotics drive in South America

Bush prepares to spend more on 'national strategy'

THE Colombian Government's crackdown against the drug cartels comes as President George Bush is about to unveil "a comprehensive national strategy" to combat drug abuse in the US, reports Lionel Barber in Washington.

Mr Bush's plan calls for increasing federal spending to $7bn next year, as well as greater international co-operation to check traffic in drugs, in particular cocaine, coming from Latin America.

The Administration wants cocaine-producing countries such as Colombia to act against the cartels, and officials have been dropping strong hints that US troops could be made available, if requested.

But officials know that Latin American countries are sensitive about a US military presence in the region. In Colombia, for instance, where Washington has said it would be prepared to send troops if asked, though US arms and aid are welcome, the introduction of US forces would not be.

At home, the Administration and Congress are wary about exposing US troops to a combat role – either against the narco-traffickers or the insurgents (such as the Maoist Shining Path in Peru) whom, in some cases, they bankroll.

Last week, Mr Bush said he was considering proposals floated at last month's Group of Seven industrialised countries' meeting in Paris for an international military presence which would train indigenous narcotics forces, and provide military and financial aid. This could provide political cover for greater US involvement.

Under the former Administration of President Ronald Reagan, US drug policy focused on expensive border patrol and customs seizures, combined with headline-grabbing prosecutions of drug "kingpins", one of whom, Carlos Lehder, was extradited and successfully convicted in a US court.

But in congressional testimony last year, General Paul Gorman, retired commander of US Southern Command, complained that US policy toward the drug cartels was half-hearted, and he warned: "Drug trafficking constitutes a clear and present danger to the very survival of democracy in certain countries which have long been friends and allies of the US".

General Gorman said US intelligence on Central America's political conflicts was extensive, but "there is no comparable apparatus being brought to bear on international drug trafficking."

Remedying these bureaucratic failings and settling differences over a potential US military role will be one of President Bush's primary aims when he unveils his drug strategy on September 5 in a nationwide televised address.

Caribbean proposes UN strike force to combat drug trafficking

By Canute James in Kingston

GEOGRAPHY has made the Caribbean archipelago an important link in the trade route of a lucrative, albeit illegal, commodity. US and regional government and security officials say the islands are being used with increasing frequency for the movement of hundreds of millions of dollars worth of narcotics from South America to the US.

The main destinations are Puerto Rico – politically a part of the US – and the Florida peninsula. But Caribbean governments now say there are increasing signs that the transhipment of cocaine is not only leading to increased consumption in the region, but to growth in organised and violent crime.

"The drug trade is an enormous network stretching from the South American mainland through the chain of Caribbean islands into the US mainland," said Mr John Compton, the Prime Minister of St Lucia. "This is the threat we will have to counter with a proper security system."

Setting up such a security system is likely to tax the already stretched finances of the countries in the region. They have no air forces, and the small coast guards are unable adequately to patrol the hundreds of bays on each island which offer a comfortable harbour to smugglers' boats.

"The Caribbean region cannot fund this war against drugs by itself," said Mr A.N.R. Robinson, Prime Minister of Trinidad and Tobago.

There has always been, however, concern within Caribbean governments, about the extent to which they can afford to ask for outside help in dealing with the narcotics industry.

"We cannot afford to leave the security of our states in the hands of the American and British," said Mr Compton, "because when they send in warships we start to quarrel and curse that the region is being militarised."

But the Caribbean now appears to have found a possible solution through proposals being made by Mr Robinson, and Mr Michael Manley, his Jamaican counterpart. Mr Manley has proposed the creation of a special UN strike force to fight the international drug trade.

He said this could be structured similarly to a UN peace-keeping force, and would move quickly at the invitation of governments to deal with production and trafficking. He wants the UN to be responsible for the establishment and operation of the force because "if the UN umbrella is providing for such a force, countries would not have to be divided over questions of sovereignty in calling for help."

"We are dealing with the most brutal and complete international conspiracy mankind has ever known," the Prime Minister said. "We believe that we have to internationalise the response to this problem. We are fighting a global war."

If Mr Manley's proposal finds international acceptance, the traffickers could find themselves before an international criminal court, a proposal put forward by Mr Robinson. He is suggesting that the court handles international, "trans-border" crimes, such as drug trafficking.

Both Mr Robinson and Mr Manley are clearly hoping that their proposals, while addressing narcotics production and trade internationally, will help the financially weak Caribbean states in fighting the problem.

But diplomats in the region say that neither effort has a chance of international acceptance unless it is backed by the US Government. "The US is clearly a major player in these efforts," said one envoy. "Unless they consider these proposals to be in their interest, the suggestions will go nowhere."

The two prime ministers are likely to be heartened by the recent acceptance by the US Senate of Mr Manley's proposal for the creation of an international anti-narcotics force. The Senate described the proposal as being "worthy of strong US support" and as "the first operative proposal to use multilateral force against the drug cartels in Latin America made by a government leader in the Western Hemisphere."

Where a green leaf brings the greenbacks

Barbara Durr visits a coca-growing community in Bolivia

ETERAZAMA is not on the map, but it figures high in the calculations of international drug control officials. So long as the inhabitants of Eterazama, and towns like it, cannot be persuaded away from growing coca, the light-green leaf that is the raw material for cocaine, the drug problem can only be displaced, not solved.

The town is tucked deep in the Chapare, Bolivia's lush, coca-growing tropical lowlands in the central department of Cochabamba. Eterazama – although disease-ridden and lacking potable water, sewage, electricity and paved roads – boasts one of the area's largest markets for coca leaf.

Peasants in the Eterazama coca market sit hugging their 100 lb bags of leaf, sweating out the steamy tropical afternoon. By nightfall, coca buyers will come and pay an average of $67 per 100 lb bag. The buyer, who may be a small-time operator or contracted by a big trafficker, will then transport the leaf to a pit. There – with kerosene, sulphuric acid, gasoline and potassium permanganate – the coca will be stamped by peasants for about four to five hours into a paste.

By dawn, small aircraft will come to collect paste – now averaging a price of $110 per kilo – for shipment to more sophisticated laboratories in the Beni, the vast and sparsely populated jungle department in the Bolivian north-east. There, paste will be turned into either cocaine base or cocaine hydrochloride itself, the former worth $700 per kilo and the latter $2,100, using estimated bulk rates.

In Miami, a kilo of cocaine sells for $10,000 to $15,000, and in Madrid for up to $60,000.

Mr Joaquin Balderama, burly president of the Eterazama town council, is well aware of where the local coca leaf goes. He said the government has not lifted a finger to help Eterazama – part of Bolivia's area where farmers resist coca eradication and crop substitution – prise itself away from the drug trade. Insect-infested open sewers run along each side of the main dirt track; tuberculosis, yellow fever, parasites and hepatitis are rampant.

Mr Balderama points out that, a few years ago in return for some voluntary eradication of coca fields, "the government promised lots of things, but they haven't given us a stone. We were deceived." So the defiant town has turned its back on the government and become self-governed. The locally elected town council collects income and administers taxes on coca income and, with these, a well has been dug, sewage system pipes are being made one by one, a secondary school has been built and a new market-place is under construction. It even has its own police force and judicial system.

With considerable nudging from the US, Bolivia, the world's second largest producer of coca after Peru, has been trying for several years to control its growing cocaine trade. So far, it has had limited success. While some efforts are being made in conjunction with the US Drug Enforcement Administration to hit Bolivian cocaine barons, only one, Mr Roberto Suarez, is in jail.

Corruption and lack of resources impede catching the big fish, so energies have been focused on the coca farmers to cut output.

A law passed last year by the Bolivian Congress divided the country's coca-growing areas in three: the Yungas region near La Paz, where coca is grown on some 10,000 to 12,000 hectares for traditional uses, including chewing the leaf for relief from hunger and the physical stress of high altitude; the Chapare, called a transitional area, where some 38,000 hectares of coca are to eventually be eliminated; and the rest of country where coca is illegal and subject to forcible eradication without compensation.

The law stated that 5,000 hectares of coca in the Chapare be eradicated by the end of 1989. By the end of July, only 1,300 hectares had been cleared, leaving the problem in the lap of Bolivia's new government.

President Jaime Paz Zamora, who took office on August 6, has promised continued co-operation to fight the drug trade. His incentive is strong. If progress is not made on drug control, US government assistance – some $100m per year – could be suspended. European governments, including that of Britain, so far have channelled their drug control money for Bolivia through the UN Fund for Drug Abuse Control.

The dilemma for Bolivia is that greater drug control threatens to present a dramatic social problem in the Chapare, where some 250,000 people directly or indirectly depend on coca farming. The Chapare's estimated 37,000 coca farmers might well be the best organised labour force in Bolivia today. Some 640 union branches belong to six federations, half of which resist eradication and crop substitution programs.

Bolivia fears a social and political upheaval if reduction of crops is imposed. Thousands demonstrated last month against government coca programmes. Mr Jose Mirtenbaum, former advisor to Bolivia's largest workers' federation, the COB, said: "The conditions are being created for a violent resistance movement."

Crop substitution, while a theoretically acceptable alternative to the farmers, is not economically convincing. There is nothing as lucrative as coca. A farmer's gross income can reach the equivalent of nearly $5,000 annually for each hectare of coca, compared with the normal average annual income in Bolivia of just over $500. Chapare farmers usually have one to three hectares of coca. "We would substitute if they could find us crops with markets," said Mr Freddy Morales, an official of the coca growers' federation. He has seven hectares of oranges but lives on the income from one hectare of coca.

The Cochabamba chief of the Bolivian government's Programme for Alternative Development, Mr Willy Holters, said: "The farmers are conscious that they must leave coca. They know there is international pressure on the country. But the problem is that no crop immediately renders as much."

Worse still, given that Chapare soil is generally poor – which does not affect the hearty coca shrub which produces four harvests a year – technicians have not been able to develop a single model farm of other crops.

US officials admit that, despite some reductions, the area under coca has grown in recent years. Privately they rate their own programme at "3.5 on a scale of 10."

Products from Bolivia supply an estimated 25 per cent of the US cocaine market and perhaps a larger portion of the growing European market. Bolivian cocaine is largely shipped across the Atlantic in commercial aircraft from such big cities as Buenos Aires and Rio de Janeiro. Although cocaine used to be transported to Europe in single suitcases or on the person of individual "mules," it now goes bulk. "Europe is the real growth market – the US seems to be plateauing," said one US official.

Bolivian cocaine is estimated to generate more than $2bn per year at the points of final sale, but only some $200m reaches Bolivia. This, however, is the equivalent of more than one third of Bolivia's projected legal exports, of $590m, for 1989. Coca and cocaine have become pillars of the Bolivian economy.

"Bolivia accepts its share of responsibility in the international fight against drug trafficking," Mr Paz Zamora said last week, "but we must be sure we are not coming out poorer than before." The message, intended for Washington, is clear: he wants more international aid.

WORLD TRADE NEWS

Groups battle to win Indian steel plant project

By R.C. Murthy in Bombay

BRITISH Steel and eight other steel companies are bidding for a contract to build a steel plant for the Essar group at Hazira in Gujarat on India's west coast. The plant could cost as much as Rs14bn (£558m) to complete.

Essar, a conglomerate with businesses in shipping, energy construction and steel, is setting up the state-of-art steel plant, with a projected output of 0.8m tonnes, soon to be doubled to 1.6m.

Essar will be the second largest producer in the private sector after Tata Iron and Steel company.

The project comprises, besides steel-making facilities, a 0.76m-tonne hot briquetted sponge iron plant, and a 180MW power plant, both using natural gas as fuel.

British Steel Consultants has prepared a detailed project report, offering technical collaboration, equipment supply and a buy-back arrangement for Essar Steel, along with an attractive financing package. Metchem of Canada is also in the race for the contract and is backed by its parent, USX (formerly US Steel).

Two Japanese companies, Nippon Kokan and Mitsui, have entered the fray with offers of soft credits. Others in the race include Thyssen, Voest Alpine, Hamburgerstahlwerke, and Pohang Steel of South Korea.

Mr. Ravi Ruia, managing director of the Essar group, says bids are under evaluation and three or four companies will be shortlisted in about three weeks.

Essar is also to place orders for an ultra-high-power electric arc furnace, a ladle refining furnace and vacuum de-gassing units, as well as a continuous slab caster, a hot strip mill, and a 180MW power plant with a combined value of around Rs6bn.

This is the first project of its size under the government's Export-Oriented Unit scheme to encourage exports of value-added products using local raw materials.

The local car and consumer durable industries are the target customers who can save on inventories by buying from Essar.

Iran turns down $1.25bn Japanese settlement offer

IRAN has turned down a $1.25bn settlement offered by a Japanese consortium unwilling to continue with a war-damaged petrochemical project, Tehran's ambassador to Tokyo said in remarks published yesterday, Reuter reports from Nicosia.

The Tehran Times daily newspaper said more talks on the settlement figure were expected. Iran has been negotiating with South Korean companies to move in if the Japanese quit.

Ambassador Mohammad Hossein Adeli told the Times the offer was made after talks some time ago between Iran's National Petrochemical Company and Mitsui, the main Japanese partner in the Iran-Japan Petrochemical project.

The two sides have invested Y600bn ($4.3bn) in the project at Iran's Gulf port of Bandar Khomeini.

Mr Adeli said Iran was against dissolving the partnership which started in the early 1970s.

The project was 85 per cent complete when the Gulf War broke out in 1980. It was bombed several times by Iraqi jets and the Japanese says it is no longer economical.

"Sources say the [settlement] figure is crucial to convince the Iranian side to accept the [Japanese] withdrawal," the Tehran Times said.

It said Mitsui's president will soon go to Tehran to finalise the settlement talks. IRNA, the official Iranian news agency, gave no date for the visit.

Rangoon backs Singapore venture

By Chit Tun in Rangoon

THE Burmese Government has authorised setting up the first joint venture between two state-owned Burmese enterprises and a foreign private company.

The Myanmar-Singapore International company has as its shareholders the state-owned Construction and Electrical Stores Trading and the *Stationery, Printing and Photographic* Stores Trading companies of Rangoon, and SKS Marketing of Singapore.

The authorised capital of Kyats 50m ($3m) is to be subscribed 50 per cent by the two Burmese enterprises and the other 50 per cent by the Singapore company.

The new company's business will be production and trading, both at home and abroad, of construction materials and electrical goods as well as stationery, printing and photographic goods.

The company is the first established in Burma with private foreign equity participation since the Government announced its foreign investment law last November, which ended the 26-year ban on private foreign investment.

The legislation set out to promote an open door policy towards foreigners, encouraging them to invest through wholly-owned companies or joint ventures with Burmese enterprises, state or privately-owned.

Move to reduce Yugoslav deficit

THE YUGOSLAV and Soviet authorities are poised to agree a package aimed at reducing the sharp trade imbalances between the two countries, writes Aleksandar Lebl in Belgrade.

The two have agreed to work towards the reduction and eventual elimination of Yugoslavia's trade surplus, while maintaining bilateral trade estimated to reach $5.7bn this year.

The agreement would involve the monitoring of trade flows to try to put imbalances early, and the encouragement of barter deals.

Pace of US-Soviet deals starts to pick up

Patient wooing of American enterprises is yielding results, **Nancy Dunne** writes

PATIENT wooing of US business by Soviet representatives of co-operatives and government enterprises has begun to yield results. While scepticism about the Soviet economy and concern about the rouble's convertibility have retarded the courtship, the pace of joint ventures has begun to pick up in the US and abroad.

Of the estimated 650-700 joint ventures with foreign partners to have received Soviet government approval, about 40-50 are believed to have been formed with American companies, according to Mr Andrew Bihun, director of the Market Analysis Division of the US and Foreign Commercial Service.

As an indication of the new interest, more than 80 US companies have signed up to attend USA '89, an exhibition to be held in Moscow from October 17 to 25, where they are expected to test the new law allowing Soviet enterprises to deal directly with foreign companies.

The US-USSR Trade and Economic Council, which is sponsoring the show, said the list of those expected to attend includes members of the American Trade Consortium, headed by Chevron Corporation of San Francisco in a giant oil joint venture, IBM, E.I. du Pont de Nemours, and other large businesses.

Consultants, lawyers and accounting firms are leading the way in US-Soviet joint ventures. But one of the most successful thus far, earning an estimated $32m (£20m), will profit only the environment and Soviet rock 'n' roll fans.

A deal between Greenpeace, the international ecology group, and Melodiya, the state record company, has produced the hottest selling record album in the USSR. With songs donated by two dozen of the West's biggest rock stars – including U2, Dire Straits, Sting, The Grateful Dead, and The Thompson Twins – the album is first compilation of Western rock music officially released in the Soviet Union.

The initial pressing of 500,000 copies of Breakthrough sold out immediately. A Greenpeace spokesman said the expected sale of the 4m records and 500,000 cassettes is reaping "millions of roubles" to be spent on environmental projects in the Soviet Union.

Proceeds are to be divided equally between Greenpeace and the International Foundations for the Survival and Development of Humanity, an East-West Soviet "think tank".

American businessmen journeyed to Moscow last year excited about the possibilities of joint ventures, but most came back empty-handed because of confusion in the constantly-changing trade and investment sector, Mr Bihun said.

"Now they are taking a more rational approach," he added. "Now they ask where the enterprises are going to obtain hard currency, who controls them, who the pivotal decision-makers are, to what degree the decisions are made at local level. They want to know what the Soviet Union has to sell to earn foreign currency."

Few American companies expect to earn large profits immediately, but Young and Rubicam, the largest independent US advertising agency, has set up shop with V/O Vneshtorgreklama, the largest international advertising and commercial communications company in the USSR, without expecting to act as "a real advertising agency" for at least five more years.

With few products on the shelves and no competing brands and shortages of everything except roubles – the 10-person Moscow office is generating income by "creating clients", says its spokesman. With both Western and Soviet clients, it is setting up joint ventures, and doing business consulting.

Assuming a continuation of what the agency calls "the second Russian revolution", it is planning in the next five years to offer services in market research, public relations, direct mail, consumer production education, and industrial, corporate and brand advertising.

The Soviets are equally enthusiastic about making deals with Americans, and dozens of representatives have been touring the US talking of opportunities. Mr Vitaly Voloshin, co-director of the new Ukrainian School of International Business, and two colleagues with Kiev's Centre for Business Analysis and Market Research (Biznex) recently completed a US tour to solicit investment in the Ukraine.

They eagerly spoke of the proposed Soviet free economic zones, which they said would be governed by elected leaders, would allow 100 per cent foreign ownership of enterprises, and would have the authority to sell foreign currency at market rates. These will also offer some free market price setting and reductions in customs duties, taxes and lease payments.

Everyone was pouring into Moscow, not realising the opportunities outside of the capital, they said.

On a list of possible joint ventures were: chemical machinery, production of instruments from artificial diamonds and superfirm materials, agricultural machinery, granite extraction, poultry farming machinery, food industry equipment, communication cables production, and mining.

The US Senate Foreign Relations Committee is planning hearings early next month on a proposed set of human rights principles for US companies doing business in the Soviet Union, Nancy Dunne reports from Washington.

The code would be voluntary and designed to guide American business activity in the Soviet Union in the same way as the Sullivan principles in South Africa.

"As private entities, American businesses are a symbol of freedom," Senator John Heinz, one of the sponsors, said. "But they should be more than symbols. They should uphold the same standards of human rights in the Soviet Union as they are expected to at home."

The proposed principles would not restrict US trade with the Soviet Union. But despite recent reforms, "the Soviet Union remains a place where the rights of the individual depend on the whim of the government".

The Slepak Principles, named after a Soviet emigré and human rights activist, Mr Vladimir Slepak, would ban the use of forced labour or products manufactured by forced labour; the use of churches or synagogues as places of business; and prejudice against Soviet employees stemming from their ethnic, religious or political beliefs.

Businesses involved in joint ventures would be urged to observe strict health and safety rules, and to avoid environmentally-hazardous methods of operation.

Similar legislation, containing the voluntary code, has been introduced in the House. It would require the State Department to report annually on the business community's voluntary compliance

Soviet Union, Turkey step up trade links

By Jim Bodgener in Ankara

DEVELOPMENTS in Turkey's trade with the Soviet Union over the past week have underscored the growing economic links between the two countries.

Turkey's premier trading house, Ram Diş Ticaret, has signed up a $44m (£27.5m)deal to supply the Soviet Union with 25,000 tonnes of tea.

The tea order will absorb a sizeable proportion of Turkey's exportable surplus of around 40,000 tonnes from its annual crop of around 170,000 tonnes.

It is symbolic in more ways than one – Turkey was forced to destroy its entire 1986/87 tea crop, because of radioactive contamination from the fallout of the Chernobyl nuclear power station disaster.

However, present supplies will come from the 1989 crop, so Turkey will not be handing back radioactivity to Soviet tea houses.

The deal is outside the terms of the Soviet gas-for-Turkish goods and services programme underpinning much of Turkey's exports over the Black Sea.

In addition, Ram Diş Ticaret is helping to remove perennial Soviet morning stubble, with an order for 125m razorblades valued at $3.7m.

These will not be shipped directly to the Soviet Union, but through a London-based Soviet company, Razno.

Istanbul's Zihni Holding has agreed with the Caspian Shipping Company in Azerbaijan to handle the latter's international business from ships it plans to bring across to the Volga by canal, and down into the Black Sea.

This follows on from Turkish-Soviet shipping co-operation in increasing bi-lateral trade, targeted at $1bn this year.

However, the Soviet Union earlier in the 1980s insisted that as much of the trade as possible be carried on its own ships.

In compensation, it placed large shipbuilding and repair orders with Turkish yards. Docks at Istinya on the Bosporus and at Tuzla on Istanbul's outskirts are fully booked with the latter.

Soviet orders for Turkish construction companies continue to rise.

The latest is to the MIR consortium, valued at $60m for the construction of 372 luxury flats on Moscow's Leninski Prospekt.

This the first main contract to be awarded to a Turkish contractor outside the terms of the gas deal.

The MIR consortium groups Gama, Guris, Kutlutaş, Kiska and Entaş. Completion is due in 36 months.

Hitachi considers Munich chip plant

HITACHI, the Japanese electric machinery maker, is soon to finalise plans for an integrated semi-conductor plant in western Europe. The company may well settle on West Germany, partly as a reaction against the recent concentration of Japanese manufacturing investment in Britain, Robert Thomson reports from Tokyo.

The Japanese press said yesterday the company had decided on a site near Munich, but a Hitachi official stated that "discussions are continuing", though the "trend" was towards choosing West Germany. It was true Hitachi was "discussing the possibility" of a plant in the region, but no decision had been made.

N Sea troubles, high rates force drop in GDP

By Simon Holberton, Economics Staff

HIGH INTEREST rates and problems with North Sea oil production led to the first fall in UK economic activity for nearly four years, according to Government figures published yesterday.

The Central Statistical Office said that its provisional estimate for gross domestic product (GDP), as measured by output, in the April to June period was 0.4 per cent lower than in the first quarter of the year. GDP was 1.6 per cent higher than a year ago.

Excluding oil and gas production, which was affected by last year's explosion on the Piper Alpha oil platform and other problems with North Sea production, GDP showed no growth between the first and second quarters of this year. In the second quarter it was 3.4 per cent higher than in the April to June period of 1988.

The figures for GDP, which measure the total output of goods and services in Britain, are consistent with recent monthly data, such as retail sales and industrial production, which pointed a slower growth in the economy.

The fall in the GDP took the London markets by surprise; they had expected a modest rise output. Analysts said the figures were erratic, however, and that they may overstate the slackness of activity in the second quarter.

Preliminary estimates of GDP in the first quarter showed a fall compared with its level for the October to December period of 1988, but were revised to show a rise of 0.1 per cent. Analysts noted that earlier figures for consumers' expenditure had shown a strong rise in the second quarter.

Mr John Shepperd, economist at Warburg Securities, said: "It doesn't feel as though the UK economy slipped into recession in the second quarter. I suspect that the figures are not as weak as they look and will be revised upwards later."

The Treasury also cautioned against reading too much into the figures. It said the lack of growth in non-oil GDP between the first and second quarters of the year reflected an apparent fall in the output of the food, retailing and catering industries.

But it said the figures were consistent with recent indicators showing a slackening in *demand in recent months.* The Treasury repeated its position that interest rates would remain as high as necessary for as long as necessary.

Lazard wins lion's share of advisory business

By Clare Pearson

LAZARD Brothers was the leading financial adviser on UK mergers and acquisitions during the first half of the year, according to an analysis published yesterday by Extel Financial/IDD, the British financial and business information service.

Lazard was the clear winner in terms of overall M&A activity, advising on 28 transactions, worth £3.6bn, which also represented 23 per cent of the total deal value. Lazard also led the field in advice to the *manufacturing* sector as well as to overseas acquirers of UK companies.

But Extel emphasises a look at other subsets shows the honours being widely *spread* among the financial institutions. For instance, measured by number of transactions, Charterhouse Bank and Hill Samuel are overall joint number one, each advising on 25 transactions, worth 3.1 per cent of the total number.

The analysis arises out of a new service launched this spring, but Extel has provided some data on the comparable period in 1988. At that time, Goldman Sachs led the table, followed by J. Henry Schroder Wagg (this year in 11th position) and then N.M. Rothschild (this time 12th).

Extel's analysis covers only those bids concluded (completed and unconditional) for the period, and excludes unsuccessful and lapsed bids. Its rankings are based both on offer documents and a survey of financial advisers. It gives equal credit to all advisers, which it says probably overstates the success of the US houses.

Extel points out that the three events which dominated the first half – the management buy-out at Magnet, the leveraged buy-out of Gateway by Isosceles, and the much rumoured very big leveraged buy-out which emerged in July when Hoylake bid for BAT Industries – were not completed during the period.

The first six months saw a 815 deals concluded, worth £15.1bn. Almost a third of the value was accounted for by 13 deals.

Credit Lyonnais joins the retreat from London's main gilts market

Richard Waters on the French bank's decision to abandon the City

AND THEN there were 20. Credit Lyonnais, France's second largest bank, yesterday became the latest to abandon market making in gilts (UK government securities).

Its exit came less than a week after Merrill Lynch, the largest US stockbroker, beat a similar retreat from the City, London's financial quarter. In all, nine firms have now departed – although two more have appeared – since the gilts market was thrown open to all comers three years ago.

The exit of Credit Lyonnais Securities, the bank's recently-restructured London securities arm, brought scant comfort to others in the market yesterday.

Lyonnais' gilts business employed 39 people, with a market share of only between 1 per cent and 2 per cent.

It had put up £10m of capital to support its gilts operation, a drop in the ocean compared to the sum of about £400m still committed to the market.

However, coming so soon after Merrill's departure, the move indicated that the suicidal level of competition in the primary gilts market may ease soon.

The French bank has been concerned about the losses from its gilts business ever since buying the former Alexanders Laing & Cruikshank in the autumn of 1987.

The following February it scaled back Alexanders' original plan to win a 5 per cent share of the gilts market, to the less than 2 per cent achieved.

Now, after a further review, Mr Ian Hay Davison, chairman of the London operation, has decided that enough is enough.

Gilts losses have been running at about £8m a year for three years, with income not getting halfway towards covering the business' overheads, even before counting the cost of the capital supporting the operation.

Credit Lyonnais Gilts was one of the group's largest loss-makers.

Total losses in CL's combined London capital markets operations last year were £26m (not counting £14m of provisions and £20m of goodwill written off).

Hay Davison: pulling out

Current gilt-edged market makers:

Aitken Campbell (Gilts)
Barclays de Zoete Wedd Gilts
Baring Wilson & Watford
BT Gilts
Cater Allen Securities
Chase Manhattan Gilts
CSFB (Gilts)
Daiwa Europe (Gilts)*
Gerrard & National Securities
Goldman Sachs Government Securities (UK)
Greenwell Montagu Gilt-edged
James Capel Gilts
Kleinwort Benson Gilts
J.P.Morgan Sterling Securities
NatWest Gilts
Nomura Gilts*
Phillips & Drew Moulsdale
Salomon Brothers UK
Shearson Lehman Hutton Gilts
Warburg Securities (Gilt-edged)

*Joined since Big Bang

. . .and those which have pulled out:

Citicorp Scrimgeour Vickers Securities
Credit Lyonnais Gilts
Hill Samuel Wood Mackenzie (Sterling Debt)
Hoare Govett Sterling Bonds
Lloyds Merchant Bank (Government Bonds)
Merrill Lynch Government Securities
Morgan Grenfell Government Securities
Prudential-Bache Capital Funding (Gilts)
RBC Gilts

Faced with the target of bringing the operation back into profit by 1990, Mr Davison, found the gilts business was the last thing he needed.

Of the 39 people now surplus to requirements, 25 have been offered jobs elsewhere in the group. The remaining 14 have, however, been made redundant.

Market participants, however, say that more important changes have been going on behind the scenes.

A number of firms have scaled back their operations, while opting to maintain an impression of commitment to the market by not withdrawing completely, they say. The result has been a steady easing of competition.

"The scale of competition is not a function of the number of firms, its a function of the number of salesmen," said Mr John Lewis, head of the debt division at UBS Phillips & Drew.

Many – including his own firm – have cut the size of their salesforces which is dedicated to gilts.

A result of the contraction has been lower overheads for firms to cover.

With losses running at an annual rate of £100m at the end of 1988, this can only be a step in the right direction.

Another result has been a growing concentration of market share.

Competitors scaling back or pulling out play into the hands of the larger firms, says Mr John Shepherd of Warburg.

Institutions dealing with a firm that pulls out tend to redirect their business to these firms, rather than to other small ones.

Individual businesses refuse to discuss their particular market shares. However, the leading four – Warburg, UBS Phillips & Drew, Barclays de Zoete Wedd and Greenwell Montagu – are said to account for slightly more than half of the market.

This is still a far cry from the pre-Big Bang days of the early 1980s, when only two firms accounted for 75 per cent of the market, and there were only eight firms involved in all.

However, it is a significant development since earlier this year. In February the Bank of England reported that six firms spoke for 45 per cent, and that this level of concentration had not changed much since October 1986.

Market share is one factor hinting at the profitability of the larger firms.

Other factors, however, come into the equation. The current "patchy and thin" conditions in the market meant that large market share will not bring *immediate* rewards, says Mr Shepherd.

Another indication of the scaling back of competition has been the reduction in the amount of capital committed to the gilts market.

At the end of 1988 this was £439m, compared with £595m a the time of Big Bang: firms had chosen not to replace capital wiped out by the heavy losses sustained over the two years.

The evidence points to an easing of the losses, if not actually a return to *profit,* at the larger firms.

It also suggests a gradual winding down of smaller participants, leading in some cases to full withdrawal.

Few doubt that others will follow Merrill, CL and the others before them.

According to one popular view, the "domino theory", the departure of one of more firms will make it easier for others to follow without losing face.

However, the fact that departures dried up for the first eight months of this year, after the loss of Morgan Grenfell and Hoare Govett, makes this just a shot in the dark.

Death toll may reach 63 in river disaster

By Kevin Brown, Transport Correspondent

THE death toll in the Thames pleasure boat disaster could reach 63, Scotland Yard said yesterday.

London police said there was "strong reason to believe" that 38 people were missing from the pleasure boat Marchioness, in addition to the 25 bodies which have been recovered.

The Port of London Authority (PLA) said many bodies could have been carried upstream by strong tides. Police and PLA staff will continue to search the river for the rest of the week.

There were 87 survivors from the collision between the Marchioness and the sand barge Bowbelle near Southwark Bridge, the third to last bridge across the river, early on Sunday morning.

Earlier, Mr Cecil Parkinson, the Transport Secretary, tightened the regulations on the operation of pleasure boats, and called an urgent meeting of river users to discuss safety improvements.

The new regulations, which come into force at noon today will require pleasure boat crews to give passengers emergency information before sailing and to leave a *record of* passenger numbers on shore.

Mr Parkinson said passenger boat operators could also expect frequent random inspections by Transport *Department* surveyors.

The PLA said it would immediately reintroduce 24-hour patrols of the Thames, which were discontinued in the early 1980s after heavy financial losses.

It was unclear last night why both the Bowbelle and the Marchioness appeared to have been attempting to pass under the same arch of Southwark Bridge.

The PLA said a tape recording of VHF radio transmissions before the accident had been passed to the police and the Transport Department's Marine Accidents Investigations Branch.

The authority confirmed that the Marchioness was equipped with VHF radio, and would have been able to contact the Bowbelle on Channel 14, the marine channel.

However, it was not clear whether the tape contained a recording of a conversation between the two boats, or of communications between the Bowbelle and the Thames Navigational Service at Woolwich.

The police said that blood samples had been taken from all seven crew of the Bowbelle and the second officer of the Marchioness. The master of the pleasure boat is thought to have been killed.

The master and second officer of the barge were released yesterday after being arrested immediately after the accident. Scotland Yard said a report would be sent "within days" to Mr Alan Green, the Director of Public Prosecutions, who would take any decision to prosecute.

Post mortem examinations took place yesterday on the 25 bodies recovered, while the hull of the Marchioness was beached at low tide at Walbrook, on the north bank near Southwark Bridge.

Labour claims education reforms may hit schools

By David Thomas, Education Correspondent

THOUSANDS of teaching posts could disappear from inner-city schools as a result of one of the UK Government's educational reforms designed to devolve funding responsibility to school level, the opposition Labour Party said yesterday.

Mr Derek Fatchett, a Labour education spokesman, issued the warning as he published a Labour Party survey of plans by 30 local authorities to devolve management responsibility to schools.

Local authorities have until the end of next month to give plans for introducing this reform, to be phased in from next April, to the Department of Education.

The Government said at least three-quarters of each school's budget must depend on the numbers and ages of its pupils and the money to be allocated to schools for staff salaries will be based on the average salaries throughout the local authority.

Mr Fatchett claimed day that this would penalise some inner-city schools used to getting extra money to compensate for the special social problems of their pupils.

New rules likely for credit cards

By David Barchard

THE long-awaited Monopoly & Mergers Commission report on the credit card industry is to be published by the Department of Trade and Industry today.

The *report was completed in* May and was due to be published in July, but its appearance was delayed by the former Trade and Industry Secretary, Lord Young. *His* successor, Mr Nicholas Ridley, has broken with tradition in publishing the report during the parliamentary summer holiday.

The MMC is widely expected to recommend two changes to increase competition and make the credit card market more fair for customers who pay interest on cards. The first will be to recommend that British card issuers follow the precedent of credit cards in the US and make an annual charge for the card.

If it is made, this proposal will be welcome to large issuers such as Barclaycard who already believe that their profits cannot be sustained without making an annual charge.

The second proposal, which will be fiercely resisted, is that *retailers should be allowed to* charge customers less if they pay in cash rather than by card. Petrol retailers have already begun such moves.

The report is the second inquiry into the credit card industry in less than a decade. Many of the main recommendations of an earlier report published in 1980 were ignored by the Government.

However, for the past year credit card issuers have been living under the shadow of the new report. The biggest British card issuers, Barclaycard and the member banks of Access, were informed exactly a year ago that the commission had concluded there was *prima facie* evidence that they were operating a monopoly.

Since then, there have been dramatic upheavals in the credit card industry and the large banks now claim that competition has become so intense that the original terms of reference of the MMC *inquiry no longer apply.*

The banks are also expected to criticise the report for not including charge cards, such as American Express and Diners *Club,* and *retailers' store cards,* which have become almost as important in the plastic payments industry as credit cards.

Joint bid for stake in Paternoster

By Paul Cheeseright

STANDARD Life Assurance of the UK and National Mutual of Australasia are to make a joint bid for the main parts of Paternoster Square, by St Paul's Cathedral in the City of London, now owned by Organizacion Diego Cisneros, the private Venezuelan company.

The two insurance groups declared their interest yesterday while seeking to give the impression that no redevelopment could go ahead without their co-operation.

Paternoster Square is a 1960s development of angular offices and draughty open space, totally out of keeping with the neighbouring cathedral. Its redevelopment is one of the most sensitive property issues in London.

Both Standard Life and National Mutual have property interests at Paternoster Square. The main holding, however, is owned by Organizacion Diego Cisneros which, through Salomon Brothers, the investment bank, is holding a tender to sell about 75 per cent of its interest.

The first stage of this tender closes tomorrow, when there will be about six bids in addition to anything sent in by the two insurance groups.

Standard Life and National Mutual, with the Central Electricity Generating Board, another landowner, have agreed to work together to ensure redevelopment of the entire area is based on a single plan.

UK NEWS

Japanese funds forecast to boost British economy

By Ralph Atkins, Economics Staff

JAPANESE companies could return the UK trade deficit to surplus within six years and account for a tenth of manufacturing output by 2000, a Japanese securities house forecast yesterday.

Gains from Japanese investment will spread beyond the current focus on motor vehicles, boosting economic growth, cutting inflation and increasing productivity, Nomura Research Institute predicts. The inflow of funds will strengthen sterling and allow for lower interest rates.

The report, launched by Sir Douglas Wass, former permanent secretary at the Treasury and chairman of Nomura in the UK, gives an upbeat assessment of benefits from Japanese investment. It forecasts knock-on effects for UK companies such as increased demand for components and the adoption of Japanese-style management techniques.

Japanese investment in the UK is forecast to grow from £2.3bn in the 12 months to March to about £6.5bn in 10 years' time. The UK is expected to receive a disproportionately high share of Japanese overseas investment as companies are attracted by lower costs and a warmer political welcome.

Mr Chris Dillow, the report's author, says the creation of a single market in 1992 will attract Japanese companies into the UK, particularly as investment in US markets reached saturation point. He estimates UK labour costs are 20 per cent lower than in France and 70 per cent lower than in West Germany.

Areas in which increased Japanese capacity in the UK is already planned include computers, semi-conductors and office machinery.

The report says the risk of Japanese merely displacing UK-owned competitors is "very small." Much of the Japanese output will be intended for export, not domestic markets, while in areas such as video-recorders or compact disc players there would be no obvious UK rivals.

By the year 2000, Japanese output in the UK is estimated to rise to about £16bn – equal to about 10 per cent of manufacturing output. Gross domestic product could be 10 per cent higher than otherwise.

Faster productivity growth in the UK, spurred by Japanese companies, will ease inflationary pressures, it says.

That could allow the Government to cut base rates perhaps by as much as 5 percentage points more than otherwise in the next few years.

The report says that Japanese investment may worsen trade figures initially as companies import components, but that increased profitability and local sourcing will improve the position.

By 1995 the deficit is expected to have been returned to a surplus.

"Given that most long-term forecasts for the UK economy envisage a substantial trade deficit for the rest of the century, this is a remarkable result," the report says.

Lex, Page 16

Shipyard workers urged to buy shares

By Our Belfast Correspondent and Kevin Brown

EMPLOYEES of Harland & Wolff, the Belfast shipbuilder, were yesterday urged to buy £2.35m worth of shares in the company due to be privatised next month.

The share prospectus, prepared by Morgan Grenfell, was delivered to individual employees yesterday. Harland's 2,350 workers are guaranteed 900 shares at £1 each if they want them and financial assistance will be available to help pay for them. The minimum share application will be 400.

The company's three executive directors, including Mr John Parker, chairman, are investing £50,000 each and senior management are being offered up to 5,000 shares each.

The prospectus gives detailed financial information on the company, which is being acquired by a management-employee buy-out supported by Mr Fred Olsen, the Norwegian ship owner.

Mr Olsen is investing £12m and placing orders for three tankers which will be built at the yard. A further £500,000 is being raised mainly through local financial institutions.

The buy-out is conditional on the raising of £15m. To date, the executive directors have provided £150,000, the Olsen companies £12m and local investors £500,000, leaving the employees to raise £2.35m.

In a letter accompanying the prospectus Mr Parker told employees: "The future of the yard is in our hands.

"We are well on our way to our goal of £15m. The choice is now yours. Of course, there is a risk in buying shares and no one can force you to invest. But this is a risk we can all do something about, working together as a team."

Mr Parker made it clear that if a vast majority of employees failed to take up the share offer, the buy-out would fail.

Last month 2,361 employees accepted new terms and conditions for the company, involving the end of an enhanced redundancy scheme which guaranteed workers redundancy payments above the statutory minimum.

Employees are to receive an *ex gratia* payment in return for the ending of the scheme and this money can be used to buy new shares.

Morgan Grenfell said votes in the new company would be: management and employees, 47.5 per cent; Olsen companies, 47.5 per cent; and outside investors, 5 per cent. The final date for receipt of share applications is September 5.

The prospectus broadly confirms the details of the deal between Harland's management and Mr Olsen which was announced by Mr Tom King, then Northern Ireland Secretary, in March.

Savings fuel mortgage optimism

By David Barchard and Eric Short

THE CHANCES of savings institutions maintaining mortgage rates at present levels brightened yesterday with a significant improvement in the July flow of funds from savers.

Net receipts from savers were £846m, according to the Building Societies' Association which draws together savings institutions dealing mainly in home loans.

The figure was an unexpectedly strong recovery after a disastrous month in June when, in the first net outflow for three years, deposits declined by £158m.

The July figures are the first BSA statistics to exclude Abbey National, formerly the second-largest building society, which left the association after its flotation last month.

Another poor month for deposits would have left building societies under strong pressure to raise their lending rates.

These have been held since May at half a percentage point below the 14 per cent banks' base rate to squeeze other types of lender, notably banks and mortgage companies, which rely on more expensive wholesale funds from the money markets.

New mortgage lending by building societies in July was £3.83bn, well below the level of lending which prevailed in the first half of last year, though slightly above monthly lending in the last four months of 1988.

Mersey spill threatened power station closure

By Ian Hamilton Fazey, Northern Correspondent

THE large oil spill which contaminated the River Mersey, north west England, at the weekend almost forced one of Britain's largest power stations to close down, it emerged yesterday.

Fiddlers Ferry, the station sited between Widnes and Warrington in Cheshire, came close to sucking in millions of gallons of polluted cooling water following the spillage from a fractured Shell pipeline. Contamination now stretches about 30 miles from Warrington to Formby.

The station was forced to install emergency booms and filters to keep the oil out before using river water again. It uses 20m gallons a day.

Shutdown was considered at one stage. The polluted water would have contaminated cooling systems and equipment. The station escaped only because its settling lagoons had just been filled when the oil spilled from a fractured pipeline 10 miles downstream on the opposite bank of the Mersey at Bromborough and it was able to use this water as a buffer.

Shell has offered to pay for all the costs involved. Mr Bob Neish, the station manager said that no one yet knew how much these would be.

Clean-up of the spillage could take up to six months, according to some sources yesterday.

Popular beaches at Crosby and New Brighton have a spattering of oil globules and puddles along the tideline but the worst effects appear now to be concentrated along the Mersey between Liverpool Airport and Warrington at the narrowest part of the river.

Four exceptionally high tides have carried some of the slick upstream, forcing it up the waterway to deposit oil on each bank, leaving a one-inch thick tidemark about seven feet wide.

Sock industry hit by imports

By Alice Rawsthorn

THE EAST Midlands hosiery industry has been hit by a rapid rise in imports of socks from Turkey and Indonesia.

The influx of Turkish and Indonesian socks into the UK has increased dramatically since last summer. The increase is already depressing the output of the sock manufacturers, which employ about 5,000 people, mainly in the East Midlands. It is also imposing pressure on profitability, because of the low price of the imported products.

This threat to the stability of the sock companies comes at a vulnerable time for the East Midlands knitting industry, which is embroiled in job losses and company closures after a year of intensely competitive trading conditions.

Until the Turkish and Indonesian problem, the sock sector had emerged unscathed from the knitting industry's problems. But the overall level of sock imports rose by 39 per cent to 93m pairs – more than half of the UK market – last year. Turkish sock imports doubled to 13.7m pairs and Indonesian imports quadrupled to 10.8m pairs in 1988. This rapid rate of growth continued into the first half of 1989.

The average price of Turkish socks is 23p a pair and 25p for Indonesian products. This compares to an average ex-factory price of 50p for a pair of socks made in the UK. It means that the socks from Turkey and Indonesia are being sold for less than the cost of raw materials to a UK manufacturer.

Given that it tends to take time for an increase in imports to affect trading patterns, the UK manufacturers did not feel the impact of the increase in imports until this spring.

Britons join pioneering German training scheme

David Thomas on the recruitment drive by Hoechst

FIVE young Britons who last week received the results of their A-levels – the public exams for 18-year-olds – will fly to Frankfurt on Friday to join 150 of their West German counterparts on a two-year commercial training scheme run by Hoechst, the German chemicals group.

All five seem remarkably nonchalant about their pioneer status, for Hoechst is breaking new ground in recruiting British school-leavers to spend two years in Germany, taking advantage of the country's famed industrial training.

The five – three girls and two boys – could herald the start of a wave of initiatives in the recruitment and training of school-leavers crossing European borders, as Mr Ian Peacock, Hoechst UK's personnel chief, explains: "We are trying to develop our managers on a European basis."

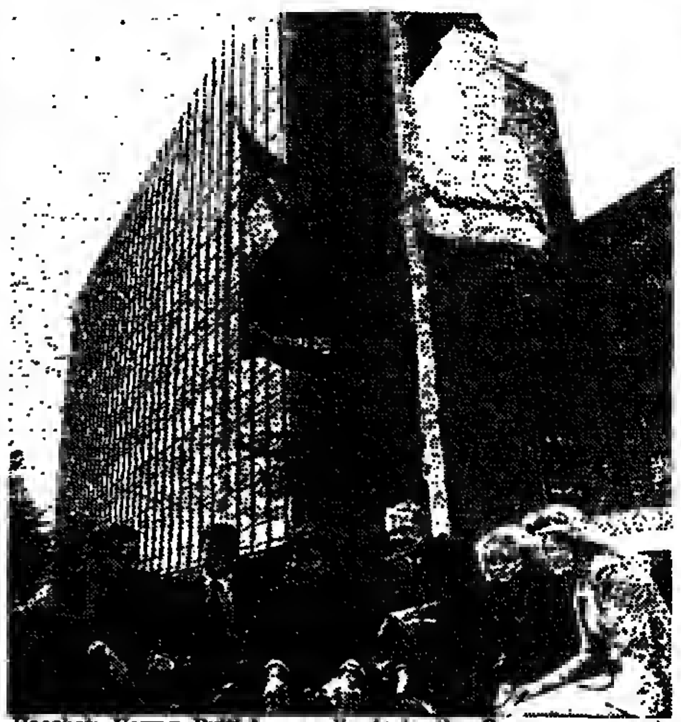
Mr Peacock wants to expand the scheme if the experiment proves a success. He believes the progress of the five will be closely watched by other Hoechst subsidiaries in Europe and by other German multinationals.

So why are five young Britons willing to give up the opportunity of a university place to spend two years in a company flat in the vast Hoechst complex on the outskirts of Frankfurt?

Mr Stephen Cole, a self-assured 18-year-old from Caterham who took A-levels in control design, business studies and geography, decided he would rather go straight into a job than on to college. But having passed over higher education, he wanted top-class training from his first employer.

Mr Cole found the attitude of British companies disappointing. "British employers don't seem to advertise their training schemes very much. It's very difficult to find out what they have to offer."

"Apprenticeship," with its overtones of oily rags and tea-breaks, is a misnomer for what the five Britons face at Hoechst. Mr Gerhard Simons, a 25-year-old marketing manager and a graduate of the company's *Industriekaufmann* apprenticeship scheme, led the induction session at the company's UK headquarters, a stone's throw from London's Heathrow Airport.



Hoechst: Young British recruits taste the German corporate image with Mr Gerhard Simons (centre), UK trainee manager

The scheme is divided into five sections which includes placements in two to three months blocks in the company's main functional departments; formal studies at a local college; teaching in two foreign languages; in-house seminars to improve trainees' grasp of computers and sales; and training to develop social skills.

Hoechst likens this package to a mini-Master of Business Administration degree. It is almost unimaginable that a British company would lay on something as extensive for school-leavers. Yet Hoechst has 6,000 young people on various types of apprenticeship throughout Germany at any one time.

The five Britons will be eligible to work for Hoechst in the UK or West Germany after their training. Mr Peacock professes to be relaxed about their eventual choice, even though each will cost the company £8,000 to train, excluding direct costs such as three return flights to the UK and salaries of DM700 (£229) a month in the first year and DM800 (£261) in the second.

He recognises that the British lay stress on having a degree and this may prompt some of the five to seek a place at a British or German university after their training – even though Germans like Mr Simons do not feel at a disadvantage without a degree.

Ms Ilsa Paxton, a 17-year-old from Wrexham, North Wales, already knows she wants to go to a British university after her Hoechst training.

Mr Peacock is already considering how to keep in touch with people like Ms Paxton who plump for the university route, perhaps by offering them sponsorship or work experience in the vacation.

When sifting through the 40 applications for this year's scheme, Hoechst considered not just candidates' academic qualities, but also their ability to cope with two years in a foreign country.

BA reaches agreement in dispute with staff

By Jimmy Burns, Labour Staff

BRITISH Airways, the UK flag carrier, is expecting a return to normal working today after cabin staff voted to suspend their industrial action in support of a sacked air stewardess which has disrupted the company's domestic and European services since Friday.

A return-to-work formula, however, which was backed by hundreds of cabin staff at mass meetings yesterday, appears to have guaranteed a period of stability for the airline's operations only during what remains of the peak summer season. Further disruption is threatened next month.

The dispute led on Friday to the first 24-hour strike by cabin staff at the company since 1985. Just over half of the European flights operated that day.

The ensuing disruption caused continuing delays and cancellations over the weekend and yesterday as some cabin staff continued striking or holding mass meetings.

Mr George Ryde, TGWU airline secretary said the "important thing" was that BA had agreed to consider the verdict of an industrial tribunal which will consider a case for unfair dismissal on behalf of the sacked air stewardess towards the end of next month.

Union officials stressed that while any decision of an industrial tribunal in favour of reinstatement is not legally binding, "there is no guarantee that the dispute will not continue" if the company refuses to abide by it.

BA officially described Sunday night's agreement as a compromise. It denied a suggestion made by union officials that the credibility of its management had been seriously dented after adopting a hardline policy at the onset of the dispute, only to subsequently back away.

BA officials last night said there was no question of the company going back on its decision to sack the stewardess, regardless of the outcome of the industrial tribunal, and that the hardline attitude adopted by the company had been vindicated.

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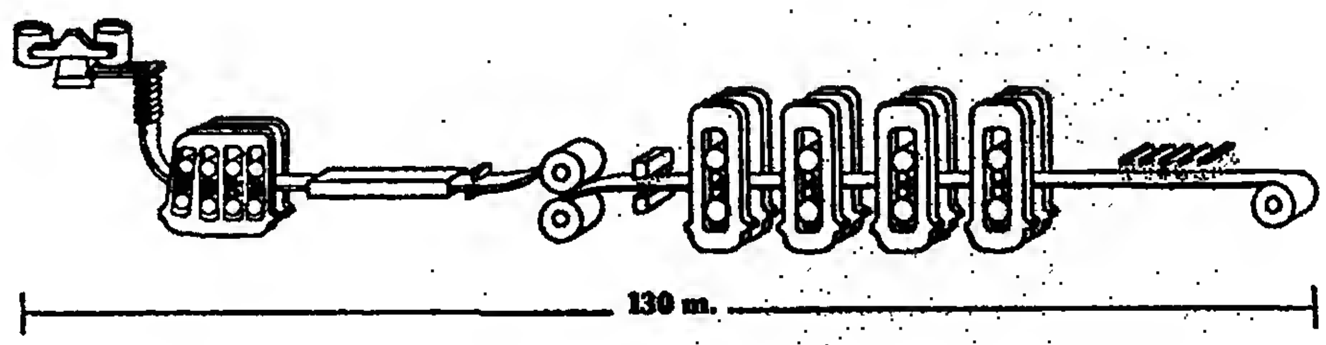

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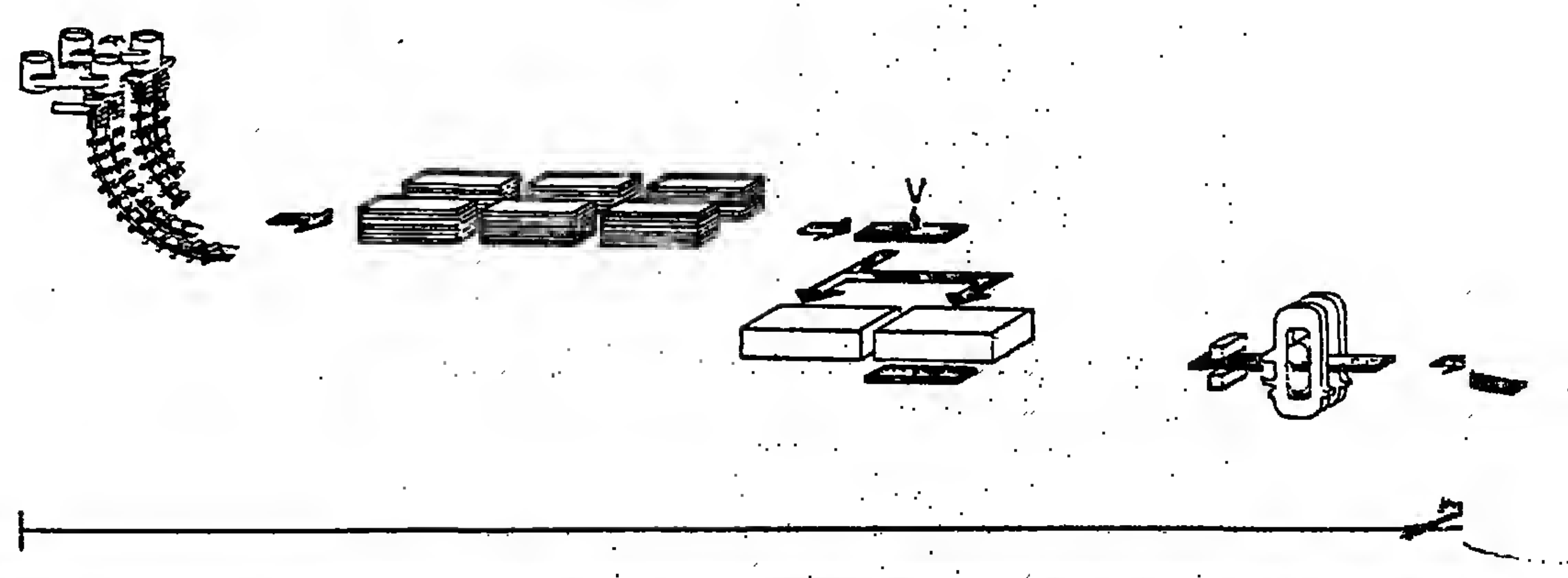

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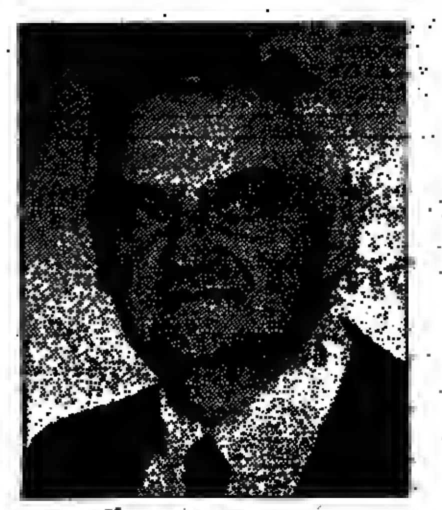
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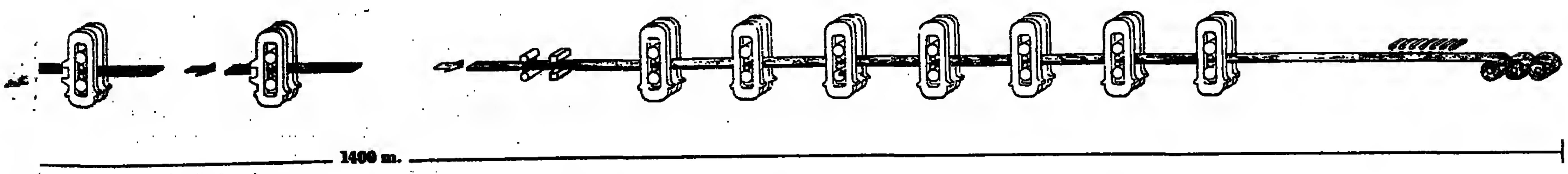

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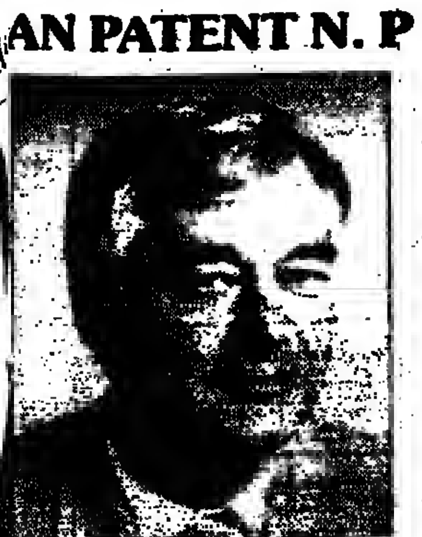

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MANAGEMENT: The Growing Business

Problems of getting South Korea's market licked

An American ice-cream company's experiences exemplify the pitfalls and opportunities of setting up in an economy in transition. Maggie Ford reports

When Jay Tunney decided to branch out into his own small business abroad, he thought he had followed all the rules. He chose a quality product which had been test-marketed successfully in a similar country, he studied the new market, the government regulations and the financing situation. He was prepared for hard work.

What he didn't bargain for was that his chosen country – South Korea – was about to undergo a period of political and economic transition. Eighteen months later, Tunney's business is doing well but it will be some time before he can afford to relax. "The only certainty is change," he says.

The story of Tunney's company, which sells high quality Hobson's ice-cream, is a cautionary but positive tale for small businessmen looking at opportunities in one of Asia's fastest growing economies.

The country's exceptional success as an exporter has now meant that its 43m people have money to spend, especially on luxuries and consumer goods. After years of bans on imported products and on foreign investment, restrictions are now being lifted. As Tunney has found, the opportunities are there, but the problems should not be underestimated.

Hobson's is a small Californian company making high quality ice-cream in a broad range of different flavours. Four years ago it set up in Japan, where 26 ice-cream parlours now make net profits of around $1m per year.

Tunney, whose late father Gene was once the champion world heavy-weight boxer, has years of business experience in Asian countries including Japan, Hong Kong and Burma. He decided to invest $750,000 in the Korean business, half of it borrowed locally. Now into its second year, sales in the first half of this year have tripled compared with the first half of 1988.

But in that time Tunney has been forced to rethink completely his plans for the development of the business because local conditions changed so dramatically.

"Originally I planned to set up American-style ice-cream parlours," he said. "But property prices and rents have rocketed, and the huge increase in traffic means that you must now go to the customer, because he won't come to you."

Instead of parlours, Hobson's now sells at ice-cream "corners" – gaily painted carnival style marquees in hotel foyers, department stores, restaurants and supermarkets. One full-scale parlour has opened in a tourist and shopping area favoured by both foreign and Korean residents.

While Tunney has been forced to devise ways of expanding at low cost, he has, however, been able to save money by manufacturing the ice-cream locally. Originally he imported it all from the US, one of the first foreign businessmen allowed by the government to import a food product.

After a while, government officials suggested that Hobson's might like to manufacture locally, but Tunney rejected the proposal because of concern over quality. After one year, the government insisted.

Luckily, in the interim a Danish company had set up a joint venture in South Korea producing good quality dairy products. This company is now manufacturing good quality ice-cream to the Hobson's formula and is saving 25 per cent on costs.

Tunney has now become an old hand at dealing with a Korean bugbear so memorable to those with experience of Japan – the many and varied opinions of government officials.

He gives high marks to top-level government ministers, believing that they are sincere in opening the market and allowing more foreign participation. But middle-ranking officials and inter-ministerial rivalries remain a problem, he reports.

"People in this country have been taught for a generation that they must export in order to eat," he says. "For years the idea has been to keep foreigners out and there is still suspicion at middle levels." Personal contacts are often the only solution to such problems, many businessmen say.

But perhaps the greatest adjustment Tunney has had to make involves working with his Korean staff of 20. Their amazing work ethic has meant that to show his own commitment, the boss must work a 12-hour day, sometimes seven days a week.

He practises a form of benevolent paternalism, stressing fairness and concern for employee needs, and praises his workers' dedication highly. Many foreign businessmen would, however, find this exhausting and often frustrating, he warns, especially since South Korea's democratic transition has enabled the rise of trade unions to take place.

Jay Tunney: originally imported Hobson's ice-cream from California but the South Korean government insisted on its local manufacture

Foreign advisors at the government-funded Small and Medium Industries Promotion Corporation, set up with a $700m budget to provide training, cheap financing, and help with setting up smaller businesses, say that South Korean small businessmen are keen to find foreign partners.

They are normally looking for equity financing for a business, medium to high technology transfer and an opening to a foreign export market – although the domestic market is becoming more important.

But foreign companies should take a careful look at the country, especially because of its transitional character, they advise. Tax benefits for joint ventures have recently been changed, making it more expensive to station expatriates in South Korea.

Rather than demanding control, it may now be better for the foreign investor to take a minority stake in a joint venture, sign a technology transfer and royalty agreement and let the Korean partner run the company.

If the Korean has a majority stake the company is then entitled to all the preferential benefits that a small local company would receive and the foreign investor avoids most of the management problems.

Those who want more involvement should search for a partner they feel they can trust, where good communications can be established, and come prepared to be flexible, open-minded and, above all, patient.

According to Jay Tunney, doing business in South Korea is an endurance test. But after almost two years he has learnt how to make money – and how to bend with the bamboo.

Unemployed who are unlucky twice

In the West Lothian region of Scotland firms started by those out of work are more likely to fail, recent research finds

Unemployed people who set up in business are motivated more by a desire to achieve employment than to achieve independence or financial reward. In turn, they are also more likely to fail than employed people who establish their own firms – and whose motivation is most likely to be a desire to achieve independence.

These are among the findings of a survey* carried out in the West Lothian area of Scotland between Glasgow and Edinburgh earlier this year. The region is one of high unemployment; the rate is persistently above the Scottish average and long-term unemployment is a particular problem.

It emerged from the study that nearly three-quarters of the founders of firms that ceased trading were previously unemployed compared with less than a third of those who were still trading. "It appears from these figures that firms started by unemployed people are less likely to survive," comment the authors of the report, Dr Ivan Turok, of the Centre for Planning, Strathclyde University, and Dr Pat Richardson, of the Scottish Enterprise Foundation, Stirling University.

The authors do not claim that the findings provide a complete picture – for example, they were not able to get responses from all owners of firms that had gone out of business – but feel that they are a good indicator of how and why small firms start and fail in the region.

They found that half of the founders of the near 200 firms identified were previously manual workers, usually in skilled rather than less-skilled jobs; only one in ten had significant previous managerial experience, a far smaller proportion than revealed in other surveys of small firms. More in line with the norm was that nearly two-thirds of founders had started firms in the same trade or industry in which they were formerly employed.

Most firms still trading have a low level of sales: a fifth generate less than £10,000; 54 per cent have annual sales of less than £40,000; and just over a fifth have sales of more than £150,000 a year. Nearly half cited lack of finance as the biggest constraint on expansion, although a fifth did not have any desire to grow and 10 per cent were hampered by a shortage of skilled workers.

The two biggest reasons for small firms in the region going out of business were "lack of sales/orders" and "cash flow difficulties". A quarter were hit by bad debts and a similar proportion wound up their businesses because they found paid employment instead.

Among "growth" firms a larger proportion were engaged in the same or similar business to the previous occupation of the founder. In contrast, firms that had diversified appeared slightly more likely to be "stable" – ie standing still.

It emerged that small firm founders in the West Lothian region displayed a relative reluctance to seek outside help. Before starting their businesses, they each consulted an average of two agencies, compared with nearly five, for example, indicated in another survey of small firms in the north east of England.

Significantly, while a third sought advice from accountants and just over a quarter from banks, or the local development agency, more than half sought help from a locally constituted development company, Bathgate Area Support for Enterprise (BASE). This was set up in 1983 by the West Lothian District Council, Lothian Regional Council, the Scottish Development Agency and British Leyland (now the Rover Group).

BASE started by offering a largely undifferentiated service, but since it set up a Business Development Centre in 1986 with the West Lothian College of Further Education as a start-up training facility it has provided more specialist advice and financial packages to start-ups and existing firms.

**Supporting the Start-up and Growth of Small Firms: A Study in West Lothian. Available from the Centre for Planning, University of Strathclyde, 50 Richmond Street, Glasgow G1 1XN price £3.50.*

Small business abstracts

Marketing tools for the small accounting firm. *M.M. Shenkman in Journal of Accountancy (US), Feb 89 (5 pages)*

Offers marketing advice to small or new accounting firms, identifying three steps essential to containing costs while maximising benefits, for instance, careful identification of marketing niches; discusses the various tools which can contribute to a successful marketing effort – announcements (eg when admitting a new partner), newsletters and publication of articles. Notes the importance of getting staff involved and an inset gives a four-step guide to writing a press release.

Decision support systems for small business. *J.N.D. Gupta and T.M. Hains in Journal of Systems Management (US), Feb 89 (6 pages)*

Based on a survey of small business executives in Indiana, reveals that most think computers would enhance decision-making. Explains how a decision support system can assist in information management, data quantification (ie condensing and analytically manipulating data), and model manipulation. Shows how to ascertain the business needs for a DSS and the desired DSS features, and discusses the types of software available.

Employee buy-out takes to the road. *J. Freeman and others in Industrial Participation (UK), Winter 89 (4 pages)*

A case history of the creation of People's Provincial Buses (previously a subsidiary of National Bus) via an employee buy-out in 1987; describes the share ownership structure (equal shares for everybody), the arrangements for share transfers/disposals/acquisition, the continuation of trade unions, and the role of the participation committee.

Expert system software in small business decision-making. *J.J. Sullivan and G.O. Shively in Journal of Small Business Management (US), Jan 89 (10 pages)*

Points to uses of expert systems (ES) in small businesses; serving as an assistant, reducing role conflict (between the owner as both manager and expert), fostering self-management (the ES forces the owner to examine his or her own mind at work), providing marketing support. Provides a case study – a cabinet shop called The Cabinet Works – of an ES in action on a bid for a particular job. Establishes that the ES can improve self-management and reduce role conflict, but is wary about its use in marketing, eg would "a system orientation" result in customer needs not being focused upon?

How to find the right audit for small business. *R. Chandler in Accountancy Age (UK), Oct 27 1988 (2 pages)*

Considers aspects of the Canadian Institute of Chartered Accountants' report on the audit of small business, specifically the characteristics of small businesses (eg concentration of ownership, lack of formal systems and authorisation procedures), the "completeness" assertion, and management override; states that the report's conclusion is that an efficient audit strategy for small businesses should be based on a substantive approach which makes use of analytical review.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

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Contact: James Daniels and Associates, Inc. 210 West Sixth Street, Suite 506, Forth Worth, Texas 76102 Fax No. 817-877-0921 USA

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- Leasehold premises of 18,000 sq feet in Watford
- Plant, machinery and vehicles
- Stock and work io progress

Contact the Joint Administrative Receiver Philip Wallace

KPMG Peat Marwick McLintock
31 Fishpool Street, St. Albans, AL3 4RF
Telephone: 0727 43000 Telefax: 0727 41005

By Order of P W J Hartigan F.C.C.A., F.I.P.A., of Booth, White & Co Administrative Receiver of Video Media Optical Development Limited

BOOTH WHITE

FOR SALE

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Further information from P W J Hartigan or P A Lawrence
Booth, White & Co
1 Wardrobe Place
Carter Lane
London
EC4V 5AJ
Tel: 01 248 0033

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INTERESTED? Then write to us, or have your advisers do so in complete confidence through:

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Growing private Engineering group seeks a quoted shell for a reverse take-over. All replies will be treated in strictest confidence.

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Box H8010, Financial Times, One Southwark Bridge, London SE1 9HL.

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Barbara Lewis & Associates
Accountants
Bethesda Road, Tumble
Llanelli Dyfed

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West/South Midlands based distribution company supplying to industrial or retail outlets in an established or developing market. Turnover £2-20m sought for acquisition or financial injection.

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The joint administrative receivers have available for sale the business and trading assets of this Rotherham-based company.

- Established range of products and customers
- Good order book
- Turnover approximately £1.5m per annum

For further details please contact the joint administrative receivers:
D J Stokes and M J Moore,
Cork Gully,
1 East Parade,
Sheffield S1 2ET
Telephone 0742 730403
Fax 0742 752573

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- Network of leasehold showrooms throughout Yorkshire
- Established local trading style
- Leasehold self contained glazed-unit fabrication factory
- Freehold frame fabrication factory and office premises

For further information contact the Joint Administrative Receivers M.J. Moore and D.J. Waterhouse at
Cork Gully,
Albion Court,
5 Albion Place,
Leeds LS1 6JP.
Telephone (0532) 457332
Telex 556230
Fax (0532) 424009

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Offer for sale THE BUSINESS AND ASSETS of
SINCLAIR (CONTRACT FURNISHERS) LIMITED
(Established 1953)

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CONTACT:
Mr O R F Sapte FCA or Mr A P Locke FCA
BEGBIES, Chartered Accountants
6 Raymond Buildings
Gray's Inn, London, WC1R 5BP
Telephone: 01-405 1219 Fax: 01-405 0350

COMPANY NOTICES

GORDON PACIFIC LIMITED

formerly

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ADVERTISEMENT PURSUANT TO ARTICLE 158 OF THE COMPANY'S ARTICLES OF ASSOCIATION

The Shareholders, whose names are listed below, have not responded by the due date to the First Notice served in accordance with Article 158.3. The number of shares registered in the name of each shareholder as at 22 May, 1989 is set out opposite their name below. In each case, the number of shares held at 22 May 1989 was less than a marketable parcel as defined by the listing rules of Australian Stock Exchange Limited.

Any shareholder whose name is listed below and who wants to maintain his shareholding in the Company should so notify the Company with 30 business days of the date of publication of this advertisement. Failure so to notify the Company will enable the Company to sell his shares in accordance with and subject to the provisions of Article 158.

Correspondence must be addressed to The Company Secretary, Gordon Pacific Limited, Level 9, 33 Pitt Street, SYDNEY, N.S.W., 2000.

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ROBERT STEWART PALOMBO	[illegible]
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DEREK EDMUND MOLLOY	[illegible]
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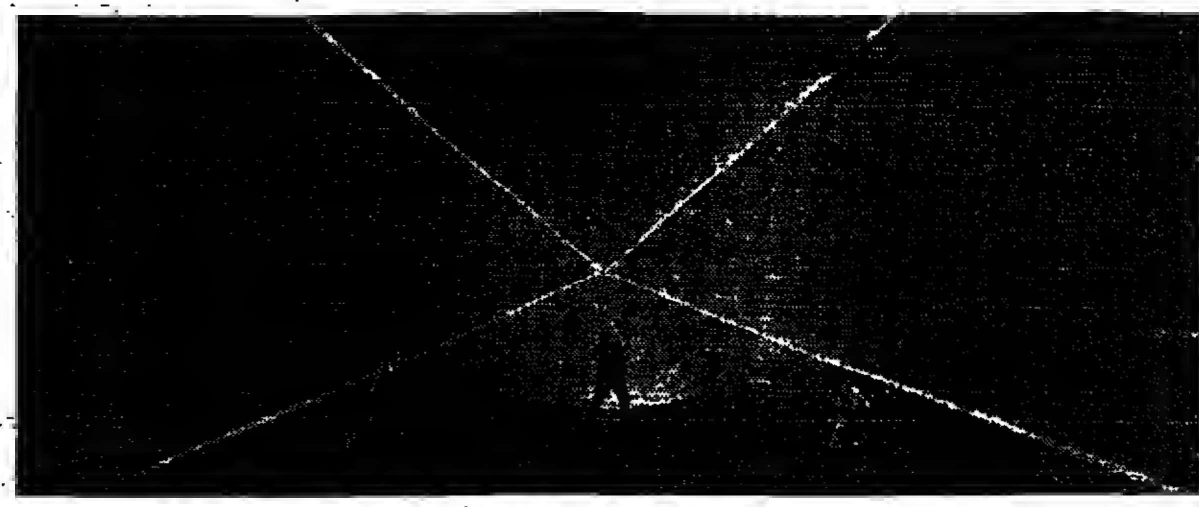
ARTS

The Ring

BAYREUTH




Above, a scene from *Das Rheingold*, and (right) Anne Evans as Brunnhilde

Beware: this Wotan is great-hearted but dangerous. A man of life-force, thrust and ambition, a man with delusions of grandeur, a man of extremes – of optimism and despair, ruthlessness and tenderness. In fact, a character not dissimilar to Wagner himself. A man who has barely uttered a ban on the use of force ("Nichts durch Gewalt!"), before he himself draws blood from Alberich, using his spear to wrestle free a ring appropriately shaped like a knuckleduster. A father who rams his son against the outstretched spear of Hunding, yet cradles his disobedient daughter in his arms and silently mourns the end of all his hopes in *Siegfried's* funeral march. A very masculine character, the most human on stage.

The sight of John Tomlinson's red-haired Wotan brandishing his spear in *Das Rheingold*, charging headlong up and down stage in Act 2 of *Die Walküre*, roaring like a lion in the Erda scene of *Siegfried* Act 3 – these are the most vital images of the Harry Kupfer-Daniel Barenboim *Ring* production, now in its second summer at the Bayreuth Festival. Such is the impact of Tomlinson's colossal performance – which this year includes his first *Siegfried* Wanderer – that the production could have been built around him. Kupfer and Tomlinson bring a new dimension to Wotan – not the dignified god, but a man at the height of his physical, political and sexual powers, who is gradually reduced to impotence. The higher tessitura brings out the vigour and expressiveness in Tomlinson's bass voice, and he seized on the text with the imagination of a natural actor.

One comes away from these performances with a fresh appetite for the *Ring*. Reactions last year were geared to the production's most striking visual effects – the laser lighting of the Rhine and magic fire circle, the rutted runway of history disappearing into the distance, and the closing picture of the privileged rich watching the nuclear holocaust on television, as two children steal away on a fresh search for utopia.

These images remain, but they are now subsumed into a greater whole. Max Loppert wrote on this page last year that much rethinking was needed. The process has been encouragingly thorough. Far from questioning Kupfer's political approach and hyperactive stage work, one is now agreeably surprised by his grasp of the music and its inner life of emotion, and by the inventive way he illuminates the text. Without lumbering the *Ring* with an all-embracing concept, Kupfer succeeds in convincing us that these are real people, confronted by the same human dilemmas facing the world today. His intense, minutely-rehearsed *Personenregie* places the characters' motives, feelings and relationships at the centre of the performance.

Das Rheingold and *Die Walküre* now develop with a brilliant consequence and logic, greatly enhanced by Hans Schavernoch's designs, which put the most modern technology at the service of the drama. Improvements have been made to the *Todesverkündigung* (now set in a recessed triangle of brilliant light) and to the steel ladder construction in the Ride of the Valkyries. The Festspielhaus technical staff have surpassed themselves in their control of light and dry ice, thereby multiplying the atmospheric perspectives of the main stage runway. Act 2 of *Götterdämmerung*, set around a four-legged steel platform, remains the production's most stunning feat of stagecraft. Altogether, there is a greater sense of the epic.

But there is scope for further refinements. The Wanderer's manipulation of the Woodbird, which lands the staging in all sorts of contradictions, is unconvincing. The whole Neidhölle scene negates the sense of nature running through the text. Brunnhilde's cramped nuclear shelter in *Götterdämmerung* is about the only instance where Schavernoch's sense of practical invention has deserted him. But the most controversial aspect remains the final scene, presumably intended to convey the idea of a story beginning where it ends, of history repeating itself. I find that it swamps the music and registers too much as a producer's lecture.

With the exception of Peter Hofmann, whose voice is now in shreds, and the uneven Rhinemaidens, the cast is a strong one. A welcome newcomer is Anne Evans, whose Brunnhilde demonstrates her well known femininity, lyricism and beautiful tone. The father-daughter relationship benefits immeasurably, and the passionate conviction of her acting in the final two acts of the cycle irradiates the performance. She was sometimes overwhelmed by Barenboim's unpredictable extremes of tempo and dynamic. Bayreuth audiences are used to more vocally-dominant Brunnhildes, but they rarely witness such ripe and accurate *Hojotohos*.

For the second cycle, Siegfried was sung by Reiner Goldberg, the East German heldentenor who fled the Hall-Solti *Ring* at the last moment. Nerves no doubt accounted for the tight, metallic sound at the start of both evenings, but as each performance developed, so did Goldberg's confidence and ringing delivery. There is marked improvement in Philip Kang's impassive Hagen. Among the successes repeated from last year are Linda Finnie's Fricka, Gunter von Kannen's Alberich and Graham Clark's Loge (though his clowning *Siegfried* Mime goes over the top). Nadine Secunde, as Sieglinde, communicates the tone and rapture of a future Brunnhilde.

Barenboim's conducting emphasises moments of hard-driven excitement and quiet beauty. The overall effect is more integrated than last year, and the whole of act 2 of *Die Walküre* is superbly paced and felt. He is prepared to take risks, and they occasionally come off. The orchestral reading matches the energy of the staging. But Barenboim shows little understanding of the music's organic growth, and makes heavy work of Wagner's orchestral textures and cross-rhythms. He picks out passing detail, skates over crucial accents. He has the longest way to go in this *Ring*.

Andrew Clarke

Detail from *The Great Exhibition of 1851: Decoration of the Transept* by Edmund Walker

Patriot who coloured a generation

Susan Moore on the life and influence of colour theorist George Fields

The disastrous use of bitumen paint by Sir Joshua Reynolds is only the most notorious instance of experimentation at a time when artists were desperate to find pigments and media of long-term stability. Artists and colourmen went to extraordinary lengths to recover or reinvent the techniques of the great masters: one Miss Provis made a tidy pile in the 1790s by claiming to own a manuscript describing Titian's method, and selling the "secret" for ten guineas a copy.

So fugitive were many of the pigments on the market, and so unreliable the advice offered in artists' manuals, that Sir Joseph Banks quipped that "the oil pictures of the present time invariably fade quicker than the persons they are intended to represent." Nearly a century later, in 1875, William Holman Hunt could still lament that an impure orange vermilion "cost me at least 10 months of my life."

Artists' materials have tended to take a back seat in the study of 19th century painting, despite the revolution they effected. To redress the balance, John Gage has hauled out of obscurity George Field, patriot (he was a founding director of the British School in 1802), manufacturer of artists' pigments, and colour theorist. The influence he was to exert on Victorian art and decoration is the subject of a provocative and unusual exhibition at the Fitzwilliam Museum in Cambridge (until September 3).

Field's notebooks, which have only recently come to light, reveal him to have been in touch with the leading artists of the day. He spent more than 30 years in his "elaboratory" in Hounslow developing pigments of great purity and brightness. He created an orange vermilion especially for Sir Thomas Lawrence in the 1820s which yielded "purer and more delicate warm carnation tints than any known pigments, much resembling those of Titian and Rubens." Lawrence, Wilkie and Constable, the last-named a friend of Field from 1825, were among those who used his colour and took pigments to him for testing.

Holman Hunt and Millais took them up too, applying the technique of fresco to oil by painting on a wet white ground. Their early supporters, Mulready and Linnell, probably introduced them to Field's colours; more important, Mrs Merrifield claimed in her translation of Cennini that they were the closest modern equivalents to those of the early Italian masters. Rossetti's stippled technique, seen here in his Princess Parisadé, also appears to have come from Field via Mrs Merrifield.

Ironically, Field, rather like Frankinstein, was horrified by his "monster." He seems have distilled the high-key palette of the Pre-Raphaelites, although the brilliance of his primary, secondary and tertiary colours

> 'The extent of Field's influence on Victorian painting is impossible to evaluate'

was itself partly responsible for its creation. The American theorist Ogden Rood was even more aghast at the consequence of his colour theory in the work of the Impressionists. Field preferred the traditional harmonious tertiaries of Richard Wilson.

Any colour theory depends upon standard, durable colour. By the publication of the second edition of "Chromatics" in 1841, Field had developed a definitive scale of 13 colours, and a Chronometer or Metrochrome for measuring the values of the primaries. Experimentation with the latter yielded proportions for the primary colours in light which, when mixed, neutralised one another. Owen Jones drew upon this for his decoration of the transept of the Crystal Palace. The iron girders were painted in the correct grouping of blue, red and yellow, creating an optical effect of natural airiness.

The extent of Field's influence on Victorian painting is, ultimately, impossible to evaluate, even if the likes of Constable and Turner did subscribe to his various publications and many more used his colours. That is the least satisfactory aspect of Dr Gage's thesis, and of the exhibition. So much is speculative or inconclusive.

It has even proved difficult to trace the works exhibited at the British School, and the paintings formerly in Field's collection. Only two of the 15 representing his collection seem to have definitely belonged to him: George Dawes's monumental, Michelangelesque "The Maniec" (which he left to the Hanwell Asylum) and a delightful Constable oil sketch.

Given the theoretical nature of the subject the exhibition itself is surprisingly rewarding, although it would mean little without a catalogue. At the centre are the notebooks, treatises, pigments and paint boxes. Flanking them is a quirky, uneven group of paintings, drawings, prints and sculpture which offers us most things, from a 17th century Dutch portrait which Field thought to be of his hero Dr William Harvey, to a low-key poetic Gainsborough landscape, a bust of the Princess Charlotte by the Irish sculptor Turnerelli, a Lawrence portrait, and a glorious sequence of glowing canvases by Palmer, Mulready, Millais and Rossetti.

Pride of place goes to Turner's magnificent "Calais Sands," on loan from Bury Art Gallery. Field used this evocation of sunset on wet sand and sea to demonstrate what he called the "inversion of keys," the interchange of warm and cool tones throughout a landscape.

At the very least, these paintings illustrate the extent to which the palette of British painting was transformed by Field's hitherto unsung pigments between the Romantic period and the creation of the Pre-Raphaelite Brotherhood.

The exhibition is sponsored by Christie's.

BBC Symphony Orchestra

ALBERT HALL

At their best the Proms have always shown an ability to devise intriguing programmes. Such was the criss-crossing of themes in Sunday's concert that one could imagine as much fun being had in the planning office as was enjoyed in the performances themselves by the BBC Symphony Orchestra under Gennady Rozhdestvensky, always a conductor with an eye for the unusual. The starting-point was the Overture to Rossini's opera on the Cinderella story, *La Cenerentola*. Graced by music-making that bubbled with geniality and humorous wind solos, it set the mood for the evening. Rozhdestvensky's Rossini is a world eway from the band-masterish drive favoured hy today's Italian maestros, even if it equally misses their slick orchestral precision.

From there to Prokofiev's *Cinderella* was an obvious move, if quite a jump in musical terms. Once again this was not the virtuoso orchestral showpiece that the piece can be (the BBC violins were unhappy negotiating passages up in the leger lines) hut hy including the second act as e single entity it was easy to appreciate Rozhdestvensky's grasp of the score's theatre. From the clumsy ugly sisters to the chattering guests at the ball, all came to life on a pictorial level.

In between the two Cinderellas was the intellectual core of the concert, *Our Hunting Fathers* hy Britten, a work regarded by all who know and love it as one of the unsung masterpieces of British post-war music. In the 50 years since it was written, this song-cycle – a double message of man's cruelty to animals crossed with Fascist cruelty of man to man – has lost none of its relevance. A shame only that the immediacy of Auden's words was somewhat hlunted in the Albert Hall. As it was, Heather Harper sang nonetheless with imagination and authority, moving from sung lines to declamation and the many other vocal effects with an easy familiarity that even Peter Pears hardly manages on the composer's own recording, valuahly preserved by the BBC. Even in his most mature works Britten never again wrote for the voice with the daring that he showed here. Or, indeed, for the orchestra, whose part Rozhdestvensky delivered with too little fiery zeal.

Where then was the connection between this and the two Cinderellas? Answer: via Rossini. The missing link came in the orchestral series of *Soirées musicales*, light-hearted arrangements made by Britten of snippets from Rossini: a make-weight, but one which was essential to unravel the weh of this most intricate Prom programme.

Richard Fairman

Le Diable amoureux

FIESOLE, FLORENCE

FRENCH dance companies predominated in Italy during the celebrations for the bicentenary of the Revolution. In Rome a sizeahle and starry contingent from the Paris Opéra Ballet made one of its rare and effulgent official appearances, in the atmospheric outdoor setting of the French government-owned Villa Medici. (Admittedly, none of the works given was French.) Further sonth, in Naples, the Balletto di Napoli enterprisingly staged Joseph Lazzini's revised production of the 1789 *La Fille mal gardée*, with Elisabeth Maurin and Manuel Legris of the Paris Opéra in the principal roles and with other French guests.

However, the most important event took place elsewhere. After being briefly run in at the Festival dell Ville Vesuviane, Roland Petit's new ballet *Le Diable amoureux*, custom-huilt for these two Italian summer festivals, came to Fiesole, above Florence. The first night had to he cancelled because of hed weather, but the remaining two performances at the Roman Theatre took place in reasonable conditions, the large stage no longer a place of hazard for the dancers of the Ballet National de Marseille.

Dancing devils certainly seem to be in fashion this season, what with Boris Eifman's *The Master and Morguerite* earlier, for the Turin Dance Festival. Roland Petit tangled with him early in his career, with his lighthearted one-acter *Que le Diable l'emporte*. The new work is a more substantial one, lasting just under 90 minutes without an interval. Inspired hy a novel by the 18th century writer Jacques Cazotte, it is set in a cavern cleverly designed hy Josef Svohoda, strikingly lit in iridsscent colours that contrast with the pervading grimness. In a semi-serious tone, it tells of a young man entrepped and tempted by ths Devil, who transforms himself into a young girl dressed as s hoy, after offering the young man glory and riches in a series of visions. He rejects these hut succumbs to the girl/boy, who at the close devours him (in his original hlack-clad guise) just as the traveller imagines he is possessing the girl.

Petit has always had a noteworthy sense of theatre, and this story affords him plentiful opportunities to employ it. The opening and conclusion both give the Devil the stage to himself; when Denys Ganio danced the role, he gave a performance of such magnetic power and beauty that he dominated the ballet throughout. The role is a demanding one, with several long and testing solos, hut Ganio never faltered, his magnificent line and stylish virtuosity giving constant joy.

On the following evening, Jean-Charles Verchère danced ably, hut his interpretative talents are limited. On the other hand, Jan Broeckx, the second evening's young man, contributed, in addition to an admirahle technique, a yearningly romantic presence that was absent from the performance given the evening hsfore hy Jean-Pierre Aviotte, an excellent dancer with a somewhat bland temperament.

Petit's company being stronger on the male side, the women have fewer chances to shine. Carlotta Zamparo was more convincing in the masculine scenes for the androgynous young page, but a little colourless, while Alessandra Ferri (appearing as guest artist with the Ballet National de Marseille) was possihly rather too provocatively feminine. She gave a more self-consciously theatrical performance but danced very cleanly and strongly. Lynne Charles, who was to alternate as ths Page, sacrificed herself gamely to the character role of a drunken woman.

This ballet is not simply the Mixture as Before so far as the choreography is concerned. It inclndes many ingenious and original touches such as the strange crouching jumps for the Devil and the lurching movements for e group of soldiers in 18th century garh (costumes hy Luisa Spinatelli) that are among the "visions" shown to the young man.

Gabriel Yared's specially composed (recorded) score makes no effort to hide his past as a writer of film music – on the contrary – hut it serves its purpose well. It is strongly rhythmical, and although it makes use of a synthesizer, it contains reminiscences of popular French music of earlier decades (with an accordion).

The Marseille company was altogether in splendid form, and the music, choreography and scenery blended remarkahly well, so the enthusiastic reception was well deserved.

Freda Pitt

ARTS GUIDE August 18-25

OPERA AND BALLET

London

Byelorussian Ballet. *Les Sylphides, Divertissements* from *The Nutcracker, Carmen suite* and *Bolero*. First British appearance of the world famous company from Minsk. Sadlers Wells Theatre (278 8916).
English National Ballet, Sir Frederick Ashton's production of the romantic favourite *Romeo and Juliet* continues the English National Ballet's season at the Royal Festival Hall. The week's castings are Benjamin, Armand (Tue); Sevillano, Skoog (Wed); Contardi, Chalmer (Thur); Truglia, Armand (Fri). Royal Festival Hall (928 8800).

Bayreuth

Bayreuth Festival. Wagner fans from all parts of the world will see the premiere of a *Parsifal* production by Wagner's grandson Wolfgang. Conductor James Levine leads a strong cast including William Pell in the title role, Bernd Weikl, Matthias Hoelle, Hans Sotin, Franz Mazura and Waltraud Meier. After criticism of Harry Kupfer's *Ring* cycle production, changes are expected for the revival. The main roles are once again sung by Siegfried Jerusalem/Rainer Goldberg, John Tomlinson, Peter Hofmann and Nadine Secunde. *Lohengrin*, conducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Ekkehard Wlaschiha, Gabriele Schnaut and Eike Wilm Schulte. *Tannhäuser* returns, after a one year break with the new Venus Ruthild Engert-Ely, Cheryl Studer, Wolfgang Brendel, Hans Sotin/Manfred Schenk, William Pell and Siegfried Vogel, in Wolfgang Wagner's delightful production.

Brussels

Transparent Chamber Opera, Gluck's *Le Cinesi* and *l'Arbre Enchanté* conducted by Marcel Ketels staged by Peter Jonckheer. Hotel Pullman Astoria - August 24, 25, 26. (8 649 94 73.)

New York

New York City Opera. The week features *Anna Bolena*, last seen in 1981 with Donizetti's bel canto score conducted by Scott Bergeson with Marilyn Mims in the title role and Harry Dworchak as the King. *The Mikado* features Richard McKee as the Mikado in Lofti Mansouri's production conducted by Peter Howard. Other performances include *La Bohème* and *Mefistofele*. Lincoln Center, New York State Theatre (877 4700).

Chicago

Ravinia Festival. For the sixth time, popular Hubbard Street Dance Company perform at Ravinia, bringing four new numbers and old favourites, including *Line Drive, Georgia* and *Diary*. Highland Park (728 4642).

Tokyo

American Ballet Theatre in Baryshnikov's production of *Swan Lake*. Tokyo Bunka Kaikan (Thur) (725 8888).

FINANCIAL TIMES

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New thinking for defence

MOST OF Britain's Nato allies have been cutting or delaying military programmes to match funds that have been frozen or reduced. Either they – the US, Canada, West Germany, Belgium – are all out of step, or Britain is.

Mr Tom King, Mrs Thatcher's fifth Defence Secretary, takes over in a relatively comfortable financial position. His predecessor, Mr George Younger, obtained a Treasury deal allowing for a slight rebuilding of funding up to 1992. With some stretching and twisting, and tighter procurement methods, the ministry has so far maintained all the main military roles and equipment plans.

The Government is right to keep options open. But it has been wrong to base defence policy on the premise that nothing should change. It is time for a fresh look at Britain's defence needs. Many service branches are now overstretched. Getting and keeping manpower in the labour market of the 1990s will be expensive. Pay is already squeezing the equipment budget, and equipment costs rise inexorably with technological advances.

It is unclear how far British forces stand to be affected by arms cuts being negotiated in Vienna, where talks restart on September 7. But it would be rash for any defence minister to assume that savings would be kept in his budget. The same problems, therefore, will apply.

Two fronts

Changes need facing on two fronts. One is the new tack by Moscow and the suddenly brighter disarmament prospect. In its reaction, and its tough stance towards Bonn on the issues of short-range nuclear forces and low-flying training in West Germany, Britain has so far appeared somewhat isolated.

All Nato governments will find it harder to justify defence spending to their parliaments and electorates. The reiteration by defence ministers, when they last met in June, of their old aim of 3 per cent *real* annual spending growth is a joke.

The other front is domestic. Britain's nuclear arms are less of an issue now that Labour is escaping from its manifestly unpopular unilateralism. As a result the Conservatives cannot count on defence being a vote-winner simply because most people cannot swallow the alternative.

UK defence policy rests on four main planks: the strategic deterrent, defence of the UK and its airspace, an anti-submarine navy for the eastern Atlantic and the Channel, and armoured divisions and aircraft in West Germany.

Saved by Falklands

The nuclear force, the Government argues, is the minimum needed to stay credible. There is little room for cutting UK air defence. The navy, main target of the last defence review in 1981, was saved by the Falklands conflict, but the number of operational ships has been declining. This year's budget gives the army and RAF more, the navy less. But the navy has a crucial role in the UK's own defence as well as a vital one for Nato.

The 55,000-strong British Army of the Rhine has up to now been regarded as a fixed part of UK defence, an engagement under the treaty governing the Western European Union. But in the next few years Britain will need to reconsider what to do with it. Moscow is intent on bringing it into the arms talks.

Any change in force structure can and should be worked out with European allies. Equally, prospects of reduced armament and tighter funds increase the need for European co-operation in defence supplies. As long as this avoids protectionism, the US would be the first to welcome it as bolstering Europe's defence contribution. It is preposterous, economically and militarily, that three European allies, as well as the US, should be making different kinds of main battle tank, and will be more so if tank divisions are cut. The UK's initiative in promoting cross-border arms competition between European allies should be pressed further.

The end result will be greater specialisation. Some shudder at the prospect of placing more reliance on others just when allied cohesion seems to be fragile. But, conversely, if cohesion is the problem, where else are the allies to find fresh cement?

Strains in the Euromarkets

THE FREEDOM allowed the Eurobond market since its inception more than 25 years ago has been its great strength, encouraging an innovative, entrepreneurial quality to thrive. So far this year borrowers, sovereign and corporate, have raised $200bn, an extraordinary amount since the underlying market climate has not been particularly favourable. Outstanding Eurobonds together exceed $800bn, much of which business has been conducted through the City of London.

There is still some way to go, but the Eurobond's secondary market has made great strides in sorting out its problems. The long-term view that investor interests are best served by a transparent market in which price information is available to all participants has prevailed over the traders' short-term instinct to profit by hiding prices from investors.

This development, resisted by many Eurobond traders, was made inevitable both by technological developments, which put instant prices into the offices of important investors, and by the efforts of the UK authorities to fit the Eurobond market into its regulatory framework. The Association of International Bond Dealers, now a designated investment exchange in the UK, has played a central role in bringing this about, with the help of its Trax trade reporting system.

Treading softly

So far the AIBD has been treading softly in the new issues market, leaving the relations between underwriters to be governed by guidelines put out by a trade association, the International Primary Market Association.

There is already evidence that a lack of price transparency in the primary market is turning off investors. Eurobond underwriters are making dream offers to potential borrowers, hiding big implicit subsidies through the swap markets and through a legal form of market manipulation known as stabilisation. Some new issues are so poorly priced they remain virtually undistributed to investors, who are left in a quandary, because they do not know what will happen to the price of a bond once stabilisation ends.

The unfettered nature which has been the source of the Eurobond market's vitality threatens – in an environment where there is significant overcapacity – to make for its undoing.

Underwriters have been squabbling for years about the proper way to bring issues to market, but it is plain that many of their arguments are self-serving.

Global ambitions

The problem is that the Eurobond market is still suffering from overcapacity, notwithstanding the withdrawal yesterday by another house from the market. That overcapacity is long-standing partly because it is taking years for firms to bury their ambitions of being "global players" in the world's securities market and because the profits for the eventual survivors still seem so big. Even where the likely eventual returns are lower, the shrinking market in British government bonds is taking years to slim down.

In arguing about the techniques of underwriting instead of the fundamental problem of overcapacity, Eurobond houses are acting in a very similar fashion to their colleagues over at the International Stock Exchange. Against a background of a sluggish market, trading rule changes were effected which hurt the small players at the expense of the large.

Unsurprisingly, if the big houses in the Eurobond market can set underwriting rules to suit themselves, they will. Equally unsurprisingly, their competitors would like to stop them.

Sorting out new underwriting rules will not of itself solve the new issue market's problem and most Eurobond market participants recognise this. They all know that the answer to the primary market's problem is a dose of discipline, self-administered. If they cannot bring themselves to do it, then a more vigorous AIBD might lend a hand.

Michael Prowse on the economics underlying public concern at the Government's plans for the NHS

Competitors in white coats

THIS autumn Mr Kenneth Clarke, Britain's Health Secretary, will attempt to steer controversial health legislation through the House of Commons. After spending six months promoting his white paper reforms, Mr Clarke remains at loggerheads with the medical profession. Opinion polls, moreover, show that the reforms are deeply unpopular with the public.

Critics allege the reforms will fragment the National Health Service, raise the costs of care, reduce the accountability of health authorities, and pave the way for the eventual privatisation of large chunks of the service. They also point out that, although Mr Clarke's proposals are a response to a review of the funding of the NHS, they have nothing constructive to say about it. The NHS is to remain financed by taxation, but there is no commitment to increase expenditure in line with demand for care, which is likely to soar during the 1990s partly because of the ageing of the population.

The Government's main aim is to increase competition throughout the NHS. A larger fraction of GPs' income will be directly related to the length of their patient lists. This is supposed to make them compete harder for a fixed total pool of patients. Big practices will also be encouraged to accept budgets with which to buy services from hospitals. If they make savings, they will be able to plough them back into their practices.

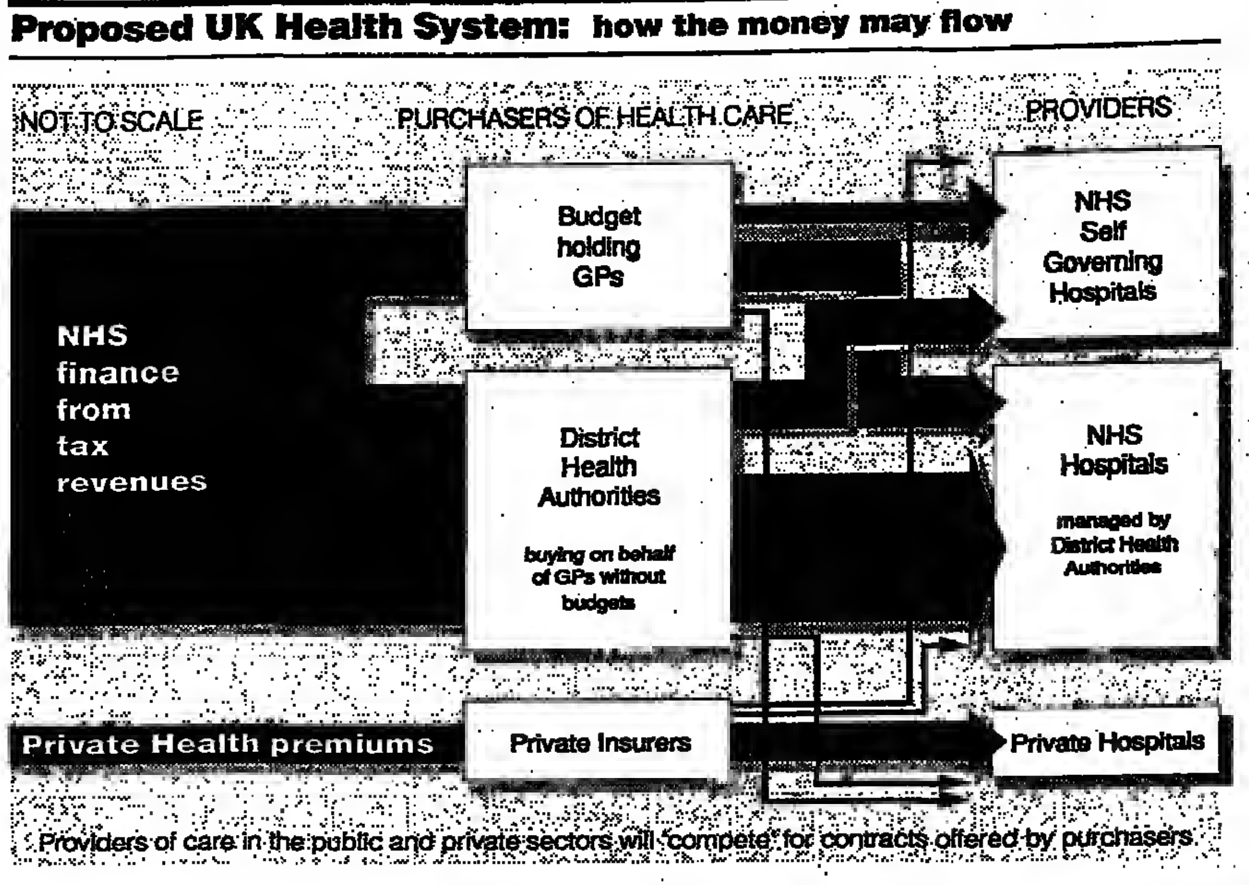
In secondary care, Mr Clarke is encouraging hospitals to cut loose from the NHS management structure and become "self-governing." Such hospitals, to be known as NHS Hospital Trusts, will receive funding only to the extent that they successfully compete for health care contracts offered by district health authorities, budget-holding GPs and the private sector. The intention is that districts should increasingly become "purchasing agents," buying care from public and private hospitals which offer the best combination of price and quality.

Ministers emphasise the advantages of the planned health care market. The split envisaged between the purchase and provision of care (see diagram) is seen as particularly significant. In the past, runs the argument, districts had to balance the sometimes conflicting interests of the providers and consumers of health care. In future, as provision is farmed out to self-governing units, districts' responsibility will become more clear-cut: to assess and monitor the health needs of their populations and negotiate the appropriate contracts with suppliers.

This may sound like a big improvement. But overseas experience – especially in the US – suggests that purchasers of care in a competitive environment have great difficulty controlling providers. If most of the big hospitals become self-governing and many GPs accept budgets, districts will be a shadow of their former selves. They will start out with barely enough cash to meet current commitments, few staff trained in epidemiology and other relevant disciplines, and with little or no expertise in negotiating financial contracts. Their ability to act as effective consumer advocates, ruthlessly redirecting the activities of big hospitals, must be questionable.

In reality, the creation of a health care market will effectively fragment the NHS and make long-term planning extremely difficult. Self governing hospitals will be able to retain their trading surpluses. They and budget-holding GPs will be independent agents, setting their own medical care agendas. Some treatments are bound to be more profitable than others. US experience suggests that institutions will adjust their mix of activities in response to financial pressures.

Proposed UK Health System: how the money may flow



At present, the allocation of resources in the NHS reflects estimates, however imperfect, of medical need. In the future they will be increasingly influenced by the marketing abilities of hospitals.

The model of health care adopted in the white paper is also a source of concern. The role of doctors is seen as one of treating isolated bouts of sickness. An individual has a problem. He or she is taken to hospital and cured. That is the end of the matter. But while this may be an apt characterisation of the services offered by the private sector (mainly items of minor elective surgery), it does not fairly represent much of the work of the NHS, such as coping with chronic sickness among the elderly.

In many cases, a district's ability to offer continuity of care and to monitor rehabilitation in the community following surgery is very important. It is difficult to see how this will be facilitated when budget-holding GPs, self-governing hospitals and community health services will be under separate and competing managements. The incentive to think about the long-term needs of patients will be reduced and each party will probably try to shift the costs of care on to the others.

Self-governing hospitals will also be free to set their own pay and conditions. Being large and well known institutions, they are likely to attract the best medical staff. One of the advantages of the NHS as presently run is that uniform pay scales guarantee a relatively even distribution of talent both geographically and by specialism. The white paper changes may encourage able doctors to shun specialisms such geriatrics which are unlikely to be money spinners. Hospitals which remain under the purview of districts may increasingly be regarded as "second-tier."

The worries about cost escalation reflect the expense of setting up a trading system. Britain spends much less on health care than comparable countries partly because of low administration costs within the NHS. The present system of giving hospitals budgets based on the expected health care needs of their catchment population is simple but effective. The planned market regime is far more complex. All units in the system will have to invest heavily in auditing and billing systems. It will not just be a matter of agreeing a few broad-brush block contracts. Hospitals will have to accept all emergency patients and find a way of billing their districts of origin, regardless of whether a contract has been established.

The white paper changes may encourage doctors to shun specialisms which are unlikely to be money spinners

There is also a risk that competition will, in itself, raise costs. This sounds perverse, but it was what happened when the US experimented with increased competition during the Reagan years. The problem is that health care is not a normal commodity. Suppliers of care can generate demand for it because consumers rarely know precisely what treatment is required. In the past, NHS doctors have had no incentive to manufacture health care demand because they have worked within a fixed budget unrelated to that demand. In future, the income hospitals and GPs can generate will depend directly on the business they can attract.

The worries about loss of accountability reflect changes in the composition of health authorities. At present, the 16 to 19 members are drawn from a wide range of backgrounds. Four are nominated by the relevant local authority. The remainder include a trade union representative, a university academic, a nurse, a GP and a hospital consultant. The regional health authority has to consult them when making appointments. The district general manager and his team are answerable to the members.

In future, authorities are to resemble companies. There will be a chairman, appointed by Mr Clarke, five executive directors (including the general manager and finance director) and five non-executive directors. The regions will have total discretion over the appointment of non-executive directors, none of whom need be democratically elected local representatives or medical professionals. Many will probably be local businessmen.

For the first time, therefore, the managers will effectively be in total control. Their allegiance will be to higher levels of management within the NHS, not to the local population they supposedly serve. Unlike executives in real companies, they will not even be answerable to shareholders. The elimination of local accountability seems perverse, given that districts are supposed to be acting on behalf of residents.

Mr Clarke has little time for scare-mongering talk about the "hidden agenda" of privatisation. Yet is is easy to see how the reforms could cause the NHS to unravel. Self-governing hospitals are to be public corporations, subject, as their boards will see it, to many irritating Treasury constraints. Borrowing and investment plans are likely to be tightly controlled as will the terms on which trust hospitals can compete for business with the private sector.

The self-governing hospitals will be part of the NHS only in the technical sense that much of their income will come from public sector contracts. What could be more natural than that many will demand to be privatised? Such status would give them greater freedom yet not inhibit their ability to compete for NHS contracts.

And consider the position of budget-holding GPs. Every part of the NHS that has been subject to cash limits has been forced to ration care. GPs are unlikely to be an exception. Yet rationing will be especially difficult for family doctors who have long-term links with the general public. A patient may know, for example, that she could have an operation tomorrow if only her GP were prepared to spend some of his budget on a private bed.

Budget-holding GPs, buying care on behalf of their patients, will have much in common with the pre-paid health care delivery systems found in some parts of the US. But there will be a crucial difference: GPs will have no direct control over the size of their budgets. What could be more natural than that some GPs, in the hope of offering better quality care, argue in favour of direct contributions from patients? One possibility might be tax rebates for patients who are willing to pay to join the lists of certain GPs.

Such developments may not be on the agenda today. But the right-wing think-tanks which produced the ideas behind this year's white paper were well aware that it might end up destabilising the NHS.

Mr Clarke's big problem, as he seeks support for his proposals this autumn, will be to explain precisely how a market system will cuts costs and improve the quality of care. Competition in the US has not helped on either front. Indeed, Professor Alain Enthoven, the influential Californian health economist who recommended a competitive regime in Britain, is now saying that US hospitals are in trouble because they lack a public service ethic.

A competitive system will certainly impose costs. Money will be spent on financial systems that could have been spent in measuring the outcomes of different treatments and hence laying the groundwork for a real improvement in clinical effectiveness. Doctors in a competitive environment will also be less willing to share clinical information.

Financial incentives for doctors will create many regulatory headaches. Budget-holding GPs, to take just one example, will have a very strong incentive to seek healthy patients. The surpluses they earn will be sensitive to tiny changes in the balance between healthy and non-healthy patients in their practices.

The Government will argue that its reforms offer compensating benefits. Perhaps. But given that the NHS already offers exceptionally good value for money, the onus is surely on Mr Clarke to demonstrate that his reforms will be beneficial. One obvious compromise would be to announce that the more controversial reforms will be tested in a series of pilot studies and trials and extended to the whole country only if they are successful. The political bonus is that the NHS would not then be a state of turmoil just as the Conservative Party prepares to fight the next general election.

An article on the growing debate on health care provision in the US will appear on this page shortly.

OBSERVER

The price of land

■ It has been my dubious fortune only once to live in what might be described as an unequivocally high rent district. This was in Tokyo and my neighbourhood was expensive not simply because it was in Tokyo, which is not exactly cheap, but because the charming, if ramshackle, little house was round the back of the Diet in an area where Japanese MPs used to keep their mistresses. Those were the days when Japanese politicians knew how to conduct affairs with discretion and the price of property reflected this, with minuscule one room apartments going for comfortably in excess of $250,000 and the price of of land beneath the building commanding astronomical sums per square foot.

Doubtless the declining standards which now unseat governments in Tokyo every other month probably mean that Hirakawacho is no longer commanding premium prices. But the Japanese ability to pay top dollar or sterling for foreign property is a matter of record. We should know; our old headquarters in Bracken House were acquired by Ohbayashigumi for the cool equivalent of £3,575 per square foot.

In Kent

■ But it not only the Japanese who may be persuaded to fork out in serious abundance, albeit in smaller lots. There is a small advertisement in the erudite New Yorker magazine from an address in Canterbury offering readers a bit of the old English sod - literally one square foot of it - somewhere in Kent for $98 - or £49 at the somewhat ungenerous conversion rate. This translates, for the mathematically inclined into something like tha equivalent of £2.1m an acre.

For this, the buyer can get freehold deeds to the said square foot, Land Registry documentation, local survey maps showing the plot (presumably very large scale maps) and details of local history. "Framed," says the ad, "these documents would add prestige and interest to your home or office".

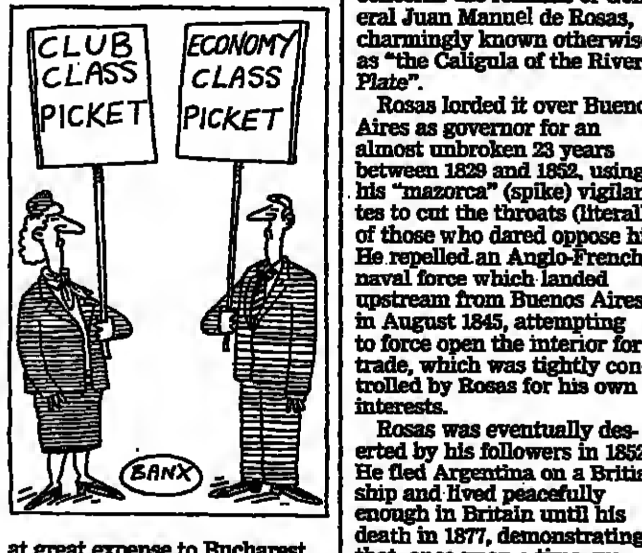
Unfortunately the purveyors of this fascinating offer of a corner of some English field that could be forever foreign are not listed in the British telephone directory and therefore not immediately contactable.

A suspicious mind might be excused for wondering if this is possibly a deep ruse to frustrate the building of the rail link for the Channel Tunnel. After all BR is supposed, before presenting its bill to parliament in November to contact all those property owners affected by the new route. The King's Cross legislation almost foundered when it was discovered that a man living on a houseboat on a designated route had been overlooked. He was persuaded to withdraw his grievance, but doing the same with lots of Americans in far flung parts might be daunting. American affection for the old country may be great but a yen for a square foot of turf is much more Japanese in concept. Watch this space.

In Romania

■ It is not wise, politic or safe, however, to discuss real estate projects, let alone prices, in Romania. Nevertheless, whether they like it or not, Romanians will be out in force, or by force, in Bucharest tomorrow for the opening of a massive palace commissioned by the President, Nicolae Ceausescu.

This is no ordinary edifice. It was constructed not only at great economic expense but



at great expense to Bucharest, once called the Paris of the Balkans. In his wisdom to stress the pure, homogenous nature of the Romanian state, Ceausescu ordered the razing of old baroque churches, the demolition of elegant town houses and the destruction of synagogues, in short, anything which smacked of European culture. The end result has been a building which will not only serve the bureaucrats of the Romanian state but will provide the president and his family with an amazing den of security.

Under the building is a anti-nuclear bunker, a special railway link to his private residence and food and drink to feed an army. The building is also known to be bomb-resistant, just in case there is a little local difficulty.

Under ground

■ Mind you, what is under the earth can be, wait for it, a bone of contention. Conspicuously absent from all reports of last week's talks in New York between Britain and Argentina over the Falklands conflict was any mention of a specific, and equally historical, Argentine grievance. This concerns the remains of General Juan Manuel de Rosas, charmingly known otherwise as "the Caligula of the River Plate".

Rosas lorded it over Buenos Aires as governor for an almost unbroken 23 years between 1829 and 1852, using his "mazorca" (spike) vigilantes to cut the throats (literally) of those who dared oppose him. He repelled an Anglo-French naval force which landed upstream from Buenos Aires in August 1845, attempting to force open the interior for trade, which was tightly controlled by Rosas for his own interests.

Rosas was eventually deserted by his followers in 1852. He fled Argentina on a British ship and lived peacefully enough in Britain until his death in 1877, demonstrating that, once upon a time, we could be rather generous to our former adversaries.

An official Argentine delegation – led by vice foreign minister Juan Archibaldo Lanus (known as Archi to his friends) – formed itself last week to press Britain into returning the corpse of what President Carlos Menem has called "this great caudillo" to Argentina. The relevant talks are shrouded in secrecy.

In Poland

■ The genie asks the Pole for his three wishes. "I want the Chinese army to come and devastate Poland." It happens. The genie comes again and the Pole says he wants the same thing; and for the third time. The genie is puzzled. "Why did you want the Chinese army to devastate your country three times?" The Pole smiles. "Easy, they had to cross Russia six times to do it."

Jurek Martin

LETTERS

The 'market mechanism' in pollution control

From Mr Malcolm MacGarvin.

Sir, Influential writings by academics have a habit of mixing common sense with the fanciful. Professor Pearce's recent report on the environment ("Putting a market value on nature," August 18) is no exception.

The main failing is that it misses the opportunity to indicate not so much where ultimately we ought to be heading, but how we should make some sort of start in getting there.

It would be unfortunate if the most important recommendation of the report – the use of the market mechanism to control pollution – were to flounder because of any misconception that there is a need for economists (or anyone else) to place an impossible monetary value on environmental assets. This has not stopped regulators in the US experimenting with tradable emission permits, nor did it prevent Mr Nigel Lawson, the UK Chancellor, introducing incentives for lead-free petrol. Economists have argued for many years that the management system provided by the market mechanism provides a more *cost-effective method of achieving environmental protection,* however much or little of it is justified, than an inflexible system of rules and regulations.

The use of "green taxes," or tradable permits, is an approach available for application now, or at least very soon, even if this is to achieve more broadly based goals than seems to be envisaged by Professor Pearce. There is a more immediate need for greater scientific consensus on how much pollution the environment can take, and a political consensus on how much it is desirable to achieve. Waiting for armies of economists to place monetary values on environmental assets will mean waiting forever. By that time – to recoin Keynes's phrase – the environment will be dead.

The Pearce report is to be welcomed, but let us not muddle up the common sense of embarking on a market-based approach to environmental management with esoteric ideas about the "value" of nature.

Malcolm MacGarvin,
Strawberry Cottage,
Dunnington, York

Employers take the advantage

From Miss Sue Ward.

Sir, Mr Redman's letter (August 12) on the same topic as Eric Short's article on the increases being given on occupational pensions ("How pensioners lose out," August 12) seems to me both inadequate and illogical.

The fact is that many company pension schemes have huge surpluses at present. This is not because of any investment genius on the part of their managers, but because of a decade of high real interest rates and high real dividends.

In most cases, the employers have chosen to take advantage of these surpluses by reducing or abandoning altogether their contributions to the schemes for a period of years – that is what the euphemism "contributions holiday" actually means.

An alternative use of the same surpluses would have been to maintain the real value of the benefits paid, or to return them to the value they had when they originally started.

To put it at its simplest: employers have chosen to require pensioners to take a cut in their benefits, in order to be able to increase the dividends to shareholders.

The comparison that should be made is not with the life companies, which operate on commercial considerations, but with the public sector schemes, which do maintain the value of benefits once in payment.

The employers in both the public and private sectors claim that they have pension schemes because they care about their workers. Why then does the private sector continue to take this attitude, and to pretend that they cannot afford to do anything else?

Sue Ward,
5 Goldspink Lane,
Newcastle upon Tyne

'Peculiar environmentalists'

From Mr Michael Swiss.

Sir, Professor David Pearce's recommendation to the Department of the Environment that pollution may be alleviated by charging the consumer/purchaser for the damage caused is wholly risible.

The sensible rule that the polluter pays does not mean that his profit is protected by passing the extra cost to the purchaser.

The market economy would prevent this. Carrots would double in price, but a law that might protect our environment by taxing fertilisers would open the door to Dutch carrots, French apples, Cypriot potatoes, Colombian plums and so on. Because British wheat is unsuited to bread-making, would we impose an entry tax on US grain? (Or eat cake?)

It is all right for peculiar environmentalists to impose upon themselves the extra costs of "naturally grown" food, but they must not assume that, for most people in Britain, keeping their stomachs full is a casual pastime – something they may take or leave as fancy dictates.

A line between good food and bad food must be drawn in the same way as a line between clean water and polluted water, but it should not be drawn where Professor Pearce's report has apparently placed it.

M. Swiss,
277 Valley Road,
Sherwood, Nottinghamshire

Competing currencies

From Mr Daniel Moylan.

Sir, In parroting the Delors committee's facile rejection of allowing the Ecu (European unit of currency) to compete with national currencies as an alternative to monetary union, Mr Andrew Brociner (Letters, August 14) entirely misses the point (and with less excuse, in a disinterested academic, than that available to the politically motivated Delors committee).

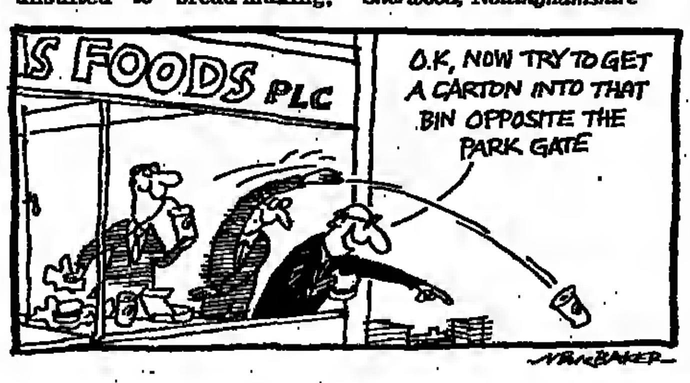
Competing currencies, far from leading to inflation, would be markedly anti-inflationary. This is because, given a choice between a stable and a depreciating currency, individuals – whether wage-earners or savers – will prefer the former. Thus issuers of currencies will be forced by competition into a virtuous circle of reducing inflation, lest their paper money go out of fashion.

The weakness of the single-currency-by-fiat brigade is that it thinks people are so foolish that they cannot recognise inflation when it is happening, and so simple that, given the opportunity, they could not protect themselves from it.

Hence the demand for a coercive central bank mechanism to look after the benighted populace – despite evidence that most central bankers in Europe have failed to show any competence at all in resisting inflation, and so have forfeited all rights to our confidence in them to achieve in a multi-national environment what they have so manifestly failed to accomplish at national level.

The irony is that Mr Brociner's letter appears on the day you report Professor Geoffrey Wood's new paper for the Institute of Economic Affairs. It completely controverts Mr Brociner's – and Mr Delors's – case.

Daniel Moylan,
Egan Associates,
7 Kensington High Street, W8



Let offending names be named

From Mr Peter Kreamer.

Sir, Richard Donkin's article on relentless rubbish ("Images of Britain," August 15) seems to confirm what most of us have observed: as a general rule, regardless of litter laws and bye-laws, individual offenders are not prosecuted.

Clearly the present regulations do not work. They should therefore be changed. The law should be pointed at those who provide the means: the guilty party should be deemed to be the person or company named on the litter.

Those employed to enforce such a law would have no reservations about proceeding against Macdonald's, Coca Cola, or even the local "chippie" unwise enough to advertise his fish-and-chip shop on his wrapping paper.

If the fines were large enough the "offenders" would quickly recruit such an army of cleaners that our streets would glisten with cleanliness.

Peter Kreamer,
39 Bell Lane,
Eton Wick,
Windsor, Berkshire

The invisible man in the lift should have his say . . .

From Mr C. McKenzie.

Sir, As EETPU national officer for lifts, I feel that as far as the Financial Times labour pages are concerned, I am the invisible man. A couple of weeks ago you reported the Otis 12 per cent deal without mentioning us at all.

And on August 17 you printed an article about Otis and Express without even a reference to indicate that these important – indeed radical – new agreements had been fully negotiated by our union.

So far from being left with the residue, I would stress once again that we have been in the forefront of negotiating these new agreements, and we hope to extend the principles to the other companies.

C. McKenzie,
Electrical, Electronic, Telecommunication & Plumbing Union,
West Common Road,
Bromley, Kent

Dividend policy and BAT

From Mr Daniel O'Shea.

Sir, Mr de Nemeskeri-Kiss and Mr Day, in their letters (August 16 and 18) replying to mine (August 11), both make perfectly valid points. But they misunderstand my point.

I was not discussing "total return." I was not discussing BAT's use of the profits it has retained over the years (though this may possibly have reduced the returns on its capital). I fully agree that shareholders may eventually get high returns from "undervalued" situations.

I was simply asserting that *retentions depress share prices,* here and now; and that the degree of retention in BAT's case, as perceived by investors over the long term, is definitely responsible for a lot of the "gap" which has exposed it to the raiders. Of course this is all complicated with BAT's use of the retentions over the years. That is partly the result of a policy of low distribution.

As for Mr Day's point about "delisting" tobacco and financing it by debt: surely a sounder middle course is mixed debt and equity with high distribution of earnings?

Finally, if anyone requires absolute proof of my assertion, I can provide it – with some accuracy. But the prices pages of the FT are quite good material for analysis of the relationship between dividend cover and p/e ratios . . .

Daniel O'Shea,
M & G Investment Management,
Three Quays, Tower Hill, EC3

Competition means people

From Mr Simon Taylor.

Sir, Maggie Urry's interesting article (August 17) on competition in the food retailing business mentions a number of strategic variables: sites, store design, technology, distribution and pricing. But the article omits the most important ingredient in competitive advantage in the 1990s: people.

Traditional competitive approaches depend on the right human resources to make them work. More crucially, the human dimension is fundamental to the increasing importance of service in the retail product.

Demographic changes affecting the normal supplies of part-time and flexible labour, together with increased competition for the graduates who are needed as management of modern retail concerns together pose a serious – and necessarily strategic – problem for all retailers.

One of the most successful of the UK's food retailers is Waitrose – not mentioned in the article, presumably because it is not a truly national chain. The performance of Waitrose appears to be directly linked to the fact that it is operated on the same set of business principles as its parent company, the John Lewis Partnership. The distinctive feature of these principles is the central role they allocate to the human side of business.

Simon Taylor,
Keith Bradley,
Business Performance Group,
Houghton St, WC2

Monetary measurements need not be made more complex

From Mr Tim Congdon and Mr Giorgio Radaelli.

Sir, The quest for a new measure of monetary policy, to be known as "Divisia 4" (discussed by Roy Batchelor, Alec Chrystal and Peter Spencer in their FT article on August 16), is unfortunate because it makes the relationship between money and economic activity more opaque and difficult to understand.

It adds complexities in at least three ways:

● By bringing together a composite measure of monetary conditions with different weights for the various constituents of broad money (notes and coin, deposits and so on), it diverts attention from what is happening to the constituents themselves. Thus, because Divisia 4 hides the distribution of deposits between persons, companies and financial institutions, it becomes impossible to make sensible statements about how these sectors of the economy will change their spending plans in response to changes in monetary growth.

● Divisia 4 cannot be related to the influences determining the growth of money. The growth of bank and building society deposits (which constitute 95 per cent of broad money) is equal, more or less, to the growth of bank and building society credit. If money growth is too high, the policy implications – in terms of the required reduction in credit growth – are clear with the monetary numbers as they are now published. They are lost if policy-makers instead look at Divisia statistics.

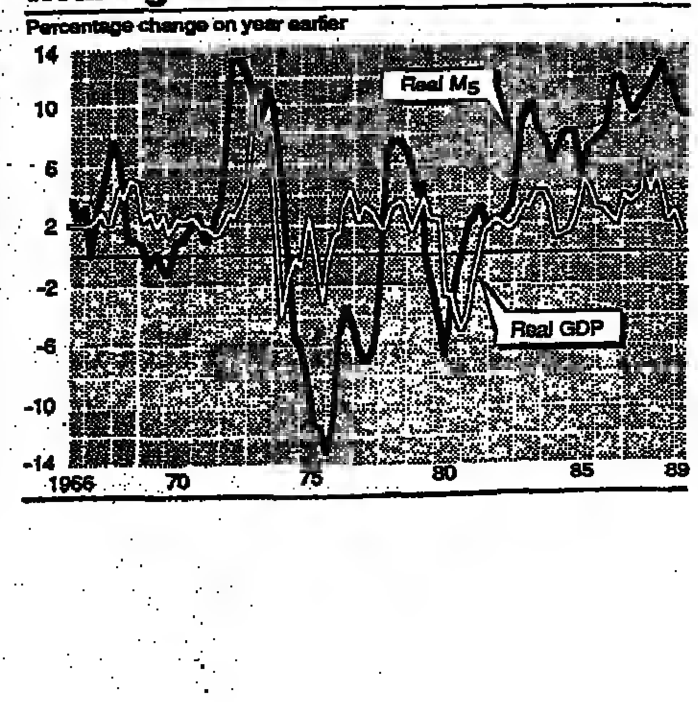
● The calculation of any Divisia index is far from objective. The weighting scheme used in Divisia 4 appears to be particularly arbitrary and objectionable, because it depends on the authors' judgment of the relative "money-ness" of the various monetary assets, rather than on an independent statistical criterion. Moreover, the weighting system surely needs to be adjusted for institutional change in the financial system. One criticism they direct against existing monetary aggregates – that these aggregates have been distorted by regulatory changes and financial innovation – is therefore equally applicable to Divisia 4.

No, official monetary aggregates must not be redesigned along Divisia lines as Batchelor, Chrystal and Spencer recommend. Instead the need is to look more carefully at the detailed and comprehensive data available. (In qualification, it should be said that the recent destruction of M3 is a pity, because it remains helpful to distinguish between bank and building society deposits.)

We have found real M5 of great value in spotting turning-points in the growth of real gross domestic product. In contrast to Divisia 4, the economic meaning of real M5 (that is, inflation-adjusted holdings of money and near-money financial instruments) is straightforward.

Tim Congdon,
Giorgio Radaelli,
Lombard Street Research,
33 Lombard St, EC3

Real M5 versus real GDP



Mr Peter Carter-Ruck's letter (August 21) should have been headed "Dr Armand Hammer," not Dr Arnold Hammer as mistakenly published.

FOREIGN AFFAIRS

The closing door to sanctuary

Concluding a series of articles on refugees, Edward Mortimer asks why the West's humanitarian standards are being eroded

Over the past two months a series of reports in the Financial Times has drawn attention to the growing refugee problem in almost every part of the world. I should like to round off the series with some thoughts about how the West is reacting to that problem. According to Dr Barbara Harrell-Bond, Director of the Refugee Studies Programme at Oxford, refugees face increasing insecurity "as a result of declining standards of humanitarianism throughout the world."

Throughout the world, but especially in that part of it which claims to be the home and champion of human rights. An article in the current issue of the programme's quarterly RPN (Refugee Participation Network – a ghastly name for a useful publication) gives many examples of this galloping trend towards more restrictive practices.

In the summer of 1987 the British Government refused asylum to five Tamils and returned them to Sri Lanka within four days of their arrival. A Home Office minister described their claims as "bogus." *At least* two of them are believed to have suffered beatings, detention, torture and abduction since their return, and an independent adjudicator has now ruled that the Government acted *illegally*.

But under new rules, introduced in the same year, asylum seekers can be deported to their country of origin pending the outcome of judicial review. Quite what they are supposed to do if the eventual decision is in their favour but they have, meanwhile, been arrested or killed back home is not clear.

Increasingly governments avoid even considering applications for asylum by simply refusing to admit would-be applicants to the country or by claiming that they *have* technically not entered it even though geographically they have. France recently deported three Romanians to Austria on these grounds, after holding them in detention near the airport for 12 days; and the US has turned back 18,250 Haitians since 1981 under an interdiction agreement with Haiti, while allowing only four to land and file asylum pleas.

It is claimed claimed that this kind of "non-admission" is not the same as *refoulement* (sending back) of refugees, which is banned under the 1951 United Nations Convention.

Overall statistics are hard to come by, but according to a leaked Home Office document, 35 people were turned back in this way by Britain in just three weeks of May 1988.

Many countries have introduced a two-tier system for *processing asylum cases, obliging* applicants to prove "credibility" or "eligibility" before their claims can be considered. In Canada, one criterion for this is that the applicant *should* not have passed through a third country which is considered "safe" – does not practise *refoulement*.

This, in turn, puts pressure on European countries to tighten up their rules. "No country wishes to be seen as safe, since each fears becoming a so-called country of attraction." And in the context of 1992, as European governments seek to relax frontier controls within western Europe, countries with a relatively liberal approach to asylum seekers are under pressure to bring their procedures into line. Thus "restrictionism in any one European country has a domino effect."

Power to decide who is eligible is increasingly devolved on immigration officers, who have limited background knowledge of conditions in the country of origin, and often make decisions on the basis of cursory interviews conducted through poor interpreters. In some countries, including the UK, asylum seekers can, in theory, be detained indefinitely (although cases are reviewed weekly), and thus enjoy fewer rights than people suspected of criminal offences.

In some countries people are not permitted to work while waiting for a ruling on their *status, which can take* two years or more. In West Germany the work ban lasts for five years, even if the application is successful.

The proportion of applicants *eventually granted refugee* status has dropped drastically: from 60 per cent (1983) to just over 30 per cent (1987) in France; from 16 per cent (1984) to 8 per cent (1987) in Switzerland; from 41 per cent (1982) to 8 per cent (1987) in the UK. More and more applicants are now given an *ad hoc* status falling short of full asylum – "tolerance" in Germany, ELR ("exceptional leave to remain") in Britain – which keeps the threat of repatriation hanging over them, requires them to reapply each year, and does not permit families to join them for four years.

'Asylum seekers and refugees in the West are being marginalised and criminalised'

Some ethnic groups – Tamils in the UK, Salvadorans in the US, Africans in France – are more or less systematically refused asylum, their parts of the world being defined as ones which do not produce refugees, while others (usually those from communist countries) have much higher approval rates.

By all these methods an increasing number of asylum seekers are forced underground, becoming precisely what the rules are meant to prevent them being: a cheap labour force, easily exploited and easily removed when their labour is no longer required.

"Asylum seekers and refugees in the West," concludes the author, Sally Baden, "are being marginalised and criminalised. They are no longer necessarily able to enjoy protection or basic rights such as employment, education, and freedom of movement."

All this is happening in the West, although only 5 per cent of the 14m have sought asylum there, and although western countries successfully absorbed much larger numbers of refugees from eastern Europe after the Second World War. Clearly, there is a great deal of semiconscious racism involved, but also a lot of genuine suspicion that "fortune-seekers" from the Third World are abusing the right of asylum to slip past the immigration controls.

The case of the Vietnamese boat people has highlighted the difficulty that can arise in distinguishing between genuine refugees and "patterns of migration solely or largely generated by voluntary and self-determined decisions," to quote the editorial in the opening number of the Journal of Refugee Studies, launched last year. No one can imagine that *the life the boat people* are fleeing from, at terrible risk and towards a very uncertain future, is a picnic. Yet when they recount their individual stories, as some did in John *Elliott's* article of July 1, it seems almost insulting to suggest that their decision to leave was not "voluntary and self-determined."

Life for most people in the Third World is no picnic. Nothing new about that. What is new is the physical and even more the mental accessibility of Third and First Worlds to each other. Vietnamese people *have an idea of what life* in the West might be like, and we in the West have an uncomfortable idea of what our life might be like if all the world's resources were shared equitably among its population. Perhaps it is just as well, we think, that most Third World refugees land up in other Third World countries, where, at best, they can expect to share the poverty of their hosts, rather than coming here where we might feel obliged to give them a share of our wealth.

If we are getting gradually more callous in our attitude to Third World refugees, it may be for the same reason that white South Africans get more callous towards blacks, or Israeli Jews towards Palestinians: we see them not as individuals but as representatives of a group whose claims could not be satisfied without the destruction of our way of life.

It is a possible explanation, but not an excuse.

FINANCIAL TIMES
Tuesday August 22 1989

Kohl sacks CDU general secretary

By David Marsh in Bonn

MR Helmut Kohl, the West German Chancellor, yesterday plunged his Christian Democratic Union (CDU) into its most serious crisis in nearly seven years in government by sacking Mr Heiner Geissler, the party's long-standing general secretary.

Mr Kohl, under pressure from growing radicalisation in German politics, is gambling on increasing the Christian Democrats' right-wing appeal during the run-up to what looks set to be a highly polarised general election at end-1990.

Mr Geissler's eclipse is likely to be highly unpopular with many of the Christian Democrats' rank-and-file as well as with several senior ministers and regional party barons. It could unleash a damaging power struggle within the CDU and the three-party Bonn coalition just at the time when Mr Kohl badly needs a united front.

The hard-hitting Mr Geissler, who will stay on until the CDU's party congress in three weeks' time, counter-attacked at a hastily convened press conference saying his dismissal sent the "wrong political signal."

He claimed he was being made the scapegoat for the party's string of recent election reverses - responsibility for which, he said pointedly, also had to be borne by Mr Kohl.

Mr Geissler, the CDU's chief election strategist, is a leader of the party's reformist wing, favouring a more "centrist" line on economic and social issues and on human rights. He has attracted the wrath above all of Mr Kohl's chief coalition partners, the Bavarian Christian Social Union (CSU), who blame "soft" Geissler policies for the latest election successes of the ultra-Right Republicans party.

Mr Kohl, who has agonised over the general secretary's future at his holiday retreat in Austria during the past month, is due to announce Mr Geissler's successor at a press conference today. With speculation quashed that this will be Mr Eberhard Diepgen, the former West Berlin mayor, officials hinted yesterday at a surprise choice.

After the upheaval of a cabinet reshuffle in April, Mr Kohl will attempt to outline before the press, for the second time in the four months, a "new start" to his faltering Government's programmes.

Mr Geissler said he would continue to fight against the danger that the CDU could lose its middle-ground appeal and "sell its soul" to forces on the right. He predicted that his ejection, communicated to him in a one hour conversation with the Mr Kohl yesterday, would cause "unrest and dissatisfaction" within the party.

Three of Mr Geissler's chief allies - Mr Lothar Spaeth, the Prime Minister of Baden-Wuerttemberg, Mrs Rita Suessmuth, the Bundestag president, and Mr Ernst Albrecht, Prime Minister of Lower Saxony - all issued disapproving statements yesterday. The Republicans, who have profited from Right-wing discontent over unemployment, housing and immigration, called Mr Geissler's exit a "victory."

Mr Geissler, one of Mr Kohl's longest-serving companions-in-arms, is a jogging enthusiast with the creased looks of a tank commander. He has served as general secretary since 1977 under Mr Kohl's party chairmanship. Mr Kohl, who has shown signs of bridling under Mr Geissler's challenge to his authority, has faced repeated recommendations from the CSU to dislodge his increasingly restive lieutenant.

A clinching role in the decision appears to have been played by Mr Theo Waigel, the CSU chairman and Finance Minister, who entered the government in April apparently determined to weaken Mr Geissler's influence.

Mr Kohl is certain to face bitter accusations from within the party that he is disrupting the CDU's election-fighting apparatus at a most sensitive time ahead of a string of important regional polls and next year's general election. But the Chancellor's well-honed instincts for suppressing challengers within the party - as well as the necessity of appeasing the CSU - appear to have won the day in determining the parting of the ways.

Colombia steps up war on drugs

Assassination prompts new clamour for action, writes Sarita Kendall

THE Colombian government's attempt to square up to the drug barons has received new impetus from the assassination of a popular politician. But in a country where the drug trade is so deeply entrenched, it is still much too early to see this as the turning of a corner: even the scale of the crackdown this weekend will not be enough to root it out.

Police and army units launched massive operations against the cocaine trafficking organisations as Senator Luis Carlos Galan, assassinated on Friday night, was buried in Bogota on Sunday.

More than a dozen apartment buildings and ranches belonging to top traffickers - including Pablo Escobar and Gonzalo Rodriguez Gacha - were occupied. But although hundreds of arrests have been made, the big fish apparently got away.

The offensive is backed by new government measures announced on Friday in response to recent killings and mass resignations by judicial employees. Saying "This is a war against the country," President Virgilio Barco opened the way for the extradition of Colombian traffickers through administrative, rather than judicial, channels. Extradition no longer requires specific approval by the courts or the existence of an international treaty.

New state of siege decrees also allow the confiscation of houses, farms, vehicles and financial assets linked directly or indirectly to trafficking groups. The cocaine lords can no longer shelter behind third parties when registering assets: those "lending" their names to make property purchases with drug money can be given prison sentences of 5 to 10 years.

While politicians greeted the measures with scepticism, the police and military said they would now be able to strike effectively against trafficking groups.

Thousands of mourners screaming "Justice" and "Death to drug traffickers" turn the funeral of politician Mr Luis Carlos Galan into a demonstration against the drug cartels

Anti-narcotics units had built up lists of vehicles and properties known to be used by the cocaine cartels. In the last two days 4 tonnes of cocaine paste has been captured, processing laboratories have been discovered and helicopters, launches and weapons have been seized.

For the first time, Colombians have expressed popular support for extradition: when Senator Galan's coffin was carried through the streets of Bogota on Sunday there were cries of "extradition," "down with the mafia" and "justice" from the crowd. Waving white handkerchiefs and chanting campaign slogans, thousands expressed their grief and anger at the murder of the most popular presidential contender.

Although drug groups have not claimed involvement in Mr Galan's shooting, no one doubts their responsibility. He had been threatened repeatedly as he crusaded against cocaine corruption, and narrowly escaped one attempt on his life in Medellin. A police chief who warned him of tha Medellin plan was gunned down last week.

The assassin hiding under the platform set up for Mr Galan's Friday political rally near Bogota was obviously a professional and bad several gunmen placed nearby to back him up and allow him to flee. Despite the senator's hullet-proof vest at least six 9mm bullets entered his body and he died almost immediately.

No other cocaine killing has hit so close to the political establishment or to the heart of Colombians. The 45-year-old Liberal was almost certain to be elected President in 1990.

When Mr Calan's New Liberalism movement, founded 10 years ago, recently joined forces with the main Liberal Party, some saw it as electoral pragmatism, others as a strong force for renovation. Unlike many top politicians Mr Galan had nevar been tainted by whispers associating him with drug money.

Every time a major figure is murdered President Barco is criticised for his failure to face up to the power of the drug groups and the violence in Colombia.

The new measures provide the means to tackle the traffickers but observers donbt whether the political will is there.

Actions, not words, are being called for, and the government's credibility depends on the capture of the kings, not just their ranches and servants.

Czechs defy march ban to mark anniversary of invasion

By Leslie Colitt in Prague

THOUSANDS of protesters in Prague cried "freedom, freedom" and sang the Czech national hymn - "Where is my Homeland?" in defiance of a ban on demonstrations marking the anniversary of the Soviet-led invasion of Czechoslovakia in 1968.

The demonstrators also called out "Long Live Poland" in a tribute to the changes wrought there by the Solidarity movement. The names of tha former Czechoslovak leader, Mr Alexander Dubcek, and the leading Czechoslovak playwright and opposition activist, Mr Vaclav Havel, were repeatedly chanted.

Riot police closed in on the demonstrators with clubs as the generally young crowd jeered at repeated police calls to disperse.

The protests began at 5pm at the foot of Prague's vast Central Square, Vaclavske Namesti, when pedestrians heeded an opposition call to stand still and remain silent for two minutes in memory of the occupation. They were joined by many other citizens on the square.

After 20 minutes the riot police moved in from side streets and drove the demonstrators back towards the national museum at the other end of the elongated square.

The demonstrations were the largest since last January when some 10,000 people marched on the anniversary of the 1969 suicide of the student Jan Palach in protest against the Soviet occupation.

The latest protests presented the conservative Slovak leadership with a challenge at a time when it is becoming increasingly isolated from its reformist East European neighbours.

Czechoslovak human rights activists hailed the support for political reforms in their country from the powerful opposition in neighbouring East European nations.

A visiting co-founder of the Hungarian Alliance of Free Democrats, Mr Ferenc Köszeg met clandestinely in Prague with Mr Sasha Vondra and Ms Dana Nemcova, who speak for the Charter 77 human rights movement, and who are both trying to evade arrest by the police.

Later, the two sides issued a remarkable declaration saying they bad to meet secretly while the streets of Prague were "crawling with police."

They declared that the "days of the dictators are numbered" in Prague, as well as East Berlin, Bucharest and Sofia, the Bulgarian capital. They added that the "seeds of democracy" planted in Moscow, Warsaw and Budapest could not be threatened this time by foreign tanks or domestic police attacks.

Tha Hungarian communist party and the Polish parliament last week condemned their country's participation in the 1968 invasion while East Germany was the only country to endorse its role in suppressing the reforms of the "Prague Spring".

The 28-year-old Mr Vondra said he was forced to move from flat to flat to evade the police who had been searching for him since last week. Earlier this year he was given a two month suspended sentence for attempting to place flowers on a monument in Prague along with the playwright, Mr Vaclav Havel, who received a nine month sentence.

Mr Vondra was wanted for further interrogation about his role in the successful petition, A Few Sentences, which he said had gained more than 20,000 signatories. The seven point petition for sweeping democratisation has attracted support from many intellectuals and workers who had previously refused to get politically involved.

The authorities have concentrated their counter attack on threatening Mr Vondra with prison and attempting to depict Charter 77 as a collection of depraved individuals.

THE LEX COLUMN

Giving ground to Goldsmith

Yesterday's 20p rise in the BAT share price owed less to the rebuttal of Hoylake's arguments than to evidence that BAT is being pushed into a corner. The institutions have made it clear to Mr Sheeby that come what may, the share price must not go back to where it was. This creates a dilemma: while talk about financial restructuring gives aid and comfort to Goldsmith, to dismiss the gap in value as the market's affair is no longer enough.

BAT's response is suitably Delphic. The matter is urgent, but nothing has been decided: there could be tax and other problems: there is no magic wand to get the price up. It all adds to the sense of shadow-boxing; the defence is in large part a non-response to a non-offer. But if the institutions can force such issues into the open, they could doubtless go further and dissuade BAT from throwing huge sums at a European insurance acquisition. If this meant halting the grand strategy in financial services and paying more to shareholders instead, that might justify a higher share price on its own.

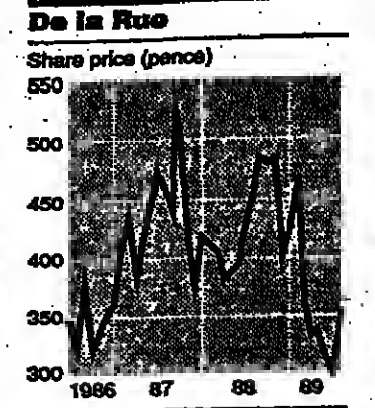
Indeed, there are hints that the dividend policy may become more liberal, extending beyond yesterday's 22 per cent rise in the interim payment. The high cover in the past, it seems, reflected the problems of remitting earnings from the Third World. As the balance of the business swings to developed countries, that can change. In this too, BAT is giving ground to Goldsmith. If he ends up going off without his fee, he will at least have earned the gratitude of shareholders.

British Airways

There is a certain seductive logic in the possibility of British Airways coming to the rescue of UAL. BA needs to protect its highly successful marketing partnership with the second biggest US domestic carrier; stronger financial ties could accelerate co-operation in areas such as development of joint airline hubs and product branding. Longer term, there is always an outside chance that international airline politics may one day allow a truly multinational airline carrier to emerge, and BA's undoubted international strengths and UAL's domestic clout would make a dream combination.

However, airline managers' dreams often clash with financial reality. BA is already relatively highly geared and its stock market capitalisation of £1.4bn is little more than a third of UAL's. In addition, a 20 per cent minority stake could cost BA about £750m and would be enormously dilutive. If BA really wants to entertain such grandiose ideas it might be better advised to start with a management buyout of its own. The prospect of wealthy BA employees from Lord King downwards putting their own money into the airline, rather than squandering shareholders' funds on dubious global ambitions, would do wonders for the share price.

De la Rue



De La Rue

If ever a company exposed its soft underbelly to a bid, that company has been De La Rue since the losses at its Printrak subsidiary surfaced. And however venerable De La Rue may be, it must do better than respond to Norton Opex with a tired accusation of opportunism. Its sale of Crosfield has shown that De La Rue is capable of securing a square deal for shareholders; but if it is to mount a credible defence, it needs to conclude its search for a new chief executive quickly and allay the market's concerns over its direction.

Those things said, Norton's bid is not - in its present form at any rate - an answer to anybody's problems. Assuming De La Rue makes £65m pre-tax profits next year, at 334p the offer is pitched at only 11 times earnings. Norton says that without bid speculation, De La Rue's share price would drop back to 260p; but it is years since De La Rue was rated purely on fundamentals and its bid premium might not vanish merely because Norton departed. More to the point, Mr Robert Maxwell bought his 15 per cent of De La Rue at about 420p and seems not to like Norton telling him how silly he was.

Norton's track record is not conclusive evidence that it can manage De La Rue. And one wonders what connection there was between Bowater taking a 27 per cent stake in Norton in January and February, and Norton's first informal talks with De La Rue. One must ask whether yesterday's bid for De La Rue is a defensive move against Bowater and just how Bowater will rise to the occasion.

UK trade

When Japan's leading brokerage house, Nomura, devotes a 48-page study to examining the importance of Japanese direct investment on the UK economy and enlists the support of a distinguished former permanent secretary of the UK Treasury to help argue its case, it has to be taken seriously. There is plenty of evidence from the US that worries about Japanese investment have far more to do with xenophobia than economic reality and the recent resurgence of the UK motor and component industry, for example, owes a lot to Japanese investment.

But in its forecasts that Japanese direct investment in the UK will result in lower interest rates, a faster UK growth rate and a firmer exchange rate, Nomura seems to be trying far too hard. Extrapolating Japanese investment flows on the basis of a couple of years experience is highly questionable. It would have been far better to admit that the main reason Japanese companies are flocking to the UK is that it is an easier point of entry to Europe than elsewhere.

Plessey

The market's response to Plessey's defence document yesterday was sadly characteristic of the final stages of the battle: zero movement in the price, on precious little turnover. In perhaps the most persuasive part of the document, Plessey argues that it is being got on the cheap. And so it is; net of the value of GPT and Hoskyns, the £1bn being paid for the rest represents an actual discount to the sector. But if one thing has become clear in the course of the bid, it is that Plessey made a fatal error in agreeing the terms of the GPT joint venture. Only Lord Weinstock can unlock the situation; and he is doing so - as ever - at his own price.

China cancels orders for steel

By Robert Thomson in Tokyo

CHINA has cancelled orders for 330,000 tonnes of steel from Japanese producers, blaming a shortage of foreign currency caused by the country's economic problems and a new austerity programme.

Japan's Long Term Credit Bank indicated yesterday that loans to China would be undertaken with greater caution, while the press in Japan has reported that unnamed Japanese banks have had payments delayed and bave received requests for loan rescheduling from Chinese corporations.

Japan's Ministry of International Trade and Industry said the decision by the China National Metals and Minerals Import and Export Corporation to cut agreed steel imports of 1.58m tonnes for the second half of this year was disappointing.

Six Japanese producers, including Nippon Steel, the world's largest steelmaker, and NKK are affected.

Japanese companies have previously been bruised by sudden changes in Chinese policy and contract failures, particularly over the large Baoshan Iron and Steel Works in Shanghai, prompting concern that the latest case could be the first of many.

As a salve, the Chinese corporation suggested that steel sheet imports could be 100,000 tonnes more than expected.

Curiously, the Chinese cutback comes just as the country's State Administration of Foreign Exchange Control has said foreign exchange reserves rose last year to $17.5bn from $15.24bn in 1987.

Japanese banks, discouraged until last week hy the Government from providing fresh loans to China, indicated yesterday that they would pay special attention to the country in a regular review of international creditworthiness next month. Banks are worried hy their exposure to tourism-related projects, which were hit after June's crushing of the pro-democracy protests.

'Loophole' in deficit rules

Continued from Page 1

agreed, will be much more difficult than the current effort to limit the 1990 deficit.

The new deficit projection or "snapsbot" for 1990 by the Office of Management and the Budget (OMB) is much more optimistic than that published by the Congressional Budget Office last week, and accommodates optimistic assumptions about the US economy.

A binding projection, which would trigger automatic cuts if the deficit is still expected to exceed $110bn, will be published on Oct 16. But Mr Darman said he expected the deficit projection to be just under the $110bn limit for 1990, on the basis of changes agreed

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	30	86	Dubrovnik	S	28	82	Malta	S	31	88	Rhodes	S	29	84
Algiers	S	34	93	Edinburgh	S	17	63	Manchester	S	18	64	Rio de J'o	F	31	88
Amsterdam	C	21	70	Faro	S	32	90	Manila	R	29	84	Rome	S	30	86
Athens	S	35	95	Florence	S	32	90	Melbourne		–	–	Salzburg	S	27	81
Bahrain	S	39	102	Frankfurt	S	30	86	Mexico City	F	26	79	San Francisco	F	16	61
Bangkok	F	34	93	Funchal	S	26	79	Miami	R	27	81	Seoul	R	23	73
Barcelona	S	29	84	Geneva	S	27	81	Milan	S	29	84	Singapore		–	–
Beirut		–	–	Gibraltar	S	26	79	Montreal	C	21	70	Stockholm	S	25	77
Belfast	C	15	59	Glasgow	F	16	61	Moscow	F	21	70	Strasbourg	S	30	86
Belgrade	F	26	79	Guernsey	F	19	66	Munich	S	28	82	Sydney	S	15	59
Berlin	S	31	88	Helsinki	R	15	59	Nairobi	C	19	66	Taipei	F	34	93
Biarritz	C	24	75	H. Kong	F	32	90	Naples	S	33	93	Tangier	S	32	90
Bombay		–	–	Innsbruck	S	27	81	Nassau	C	33	91	Tel Aviv	S	31	88
Bordeaux	F	28	82	Inverness	C	15	59	New Delhi	F	30	86	Tenerife	F	27	81
Brussels	S	26	79	Islamabad	F	34	93	New York	F	26	79	Tokyo	S	32	90
Budapest	S	29	52	Istanbul	S	31	88	Nice	S	28	82	Toronto	F	21	70
B. Aires	R	12	53	Jakarta	C	33	91	Nicosia	S	30	86	Tunis	S	33	91
Cairo	S	34	93	Jersey	F	23	73	Oporto	S	23	73	Valencia	S	31	88
Cape Town	F	16	61	Jo'burg	S	23	73	Oslo	S	23	73	Venice	S	28	82
Caracas	R	28	82	Lima	C	18	64	Paris	S	28	82	Vienna	S	26	79
Casablanca	S	29	84	Lisbon	S	28	82	Peking	S	24	75	Warsaw	S	29	84
Chicago	F	17	63	London	S	23	73	Prague	S	28	82	Washington	R	25	77
Cologne	S	29	84	Los Angeles	C	18	64	Reykjavik	F	13	55	Zurich	S	27	81
Copenhagen	S	27	81	Luxembourg	S	26	79								
Corfu	S	34	93	Madrid	S	31	88								
Dallas		–	–	Majorca	S	31	88								
Dublin	F	17	63	Malaga	S	29	84								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

BAT defends record against takeover

Continued from Page 1

refused to discuss the subject in detail. Although conceding that some institutional shareholders had made the point they did not wish to see the stock market value of their investments return to the pre-bid level, Mr Sheeby said he was not certain what the gap would be if Hoylake was seen off.

He said later that the company did have to look at the possibility of some kind of financial restructuring as a means of addressing the rating question, but that this was a longer-term option. "It's not an easy subject," he commented, noting the example of tax complexities. "I think what we have to look to is more straightforward solutions."

London analysts saw the defence document as a fairly predictable and competent response at this stage in the battle, with the profit figure being towards the upper end of expectations. Tha figures included a similar 20 per cent rise to 32.07p in earnings per share, while dividends rose 22 per cent to 9.3p per share.

The BAT document brought a vigorous response from Hoylake. The bidder said the document "completely fails to address key issues" and was just "a glossy advertising brochure which relies on generalities and a few isolated success stories."

By the end of yesterday BAT shares had gained 20p at 833p.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 22 1989

INSIDE

US says Japanese bond market is fair

THE US Federal Reserve said yesterday that it found no discrimination against US securities houses active in the Japanese government bond market and that the four Japanese primary dealers – Nomura Securities (logo above), Daiwa Securities, Nikko Securities and Yamaichi Securities – in the Treasury bond market would be allowed to continue operating. The staff report concluded that US firms were given "the same competitive opportunities" in the Japanese government bond market as domestic firms. **Page 21**

The nitrate nightmare

Nitrate levels in Britain's drinking water are dangerously high and exposing us all to the risk of contracting stomach cancer. And it's all the fault of the farmers for putting too much fertiliser on the land. Right? Wrong, says David Richardson in Farmer's Viewpoint, where he contends that the evidence for nitrates causing cancer is not proven. And, he claims, the figure of 50 ppm set by the EC as a maximum limit for water must have "been plucked from the air," as there is no scientific evidence that such a limit is necessary. **Page 28**

Pushing fingers into many pies

West German steel company Hoesch is continuing its diversification into high technology by buying Schroff, a family-owned electronics components business. Hoesch has been making a tentative start at building up its automation and systems activities, to try to reduce dependence on steel. It recorded turnover in this area of only DM213m last year, although this was up more than threefold from DM63m in 1986. **Page 19**

MFI through the mill

There have been times, during discussions with banks and shareholders in the last couple of months, when Derek Hunt, chairman of Britain's MFI Furniture, "thought things were close." MFI's problem is that the downturn in sales of furniture in the UK follows hard on the heels of the highly leveraged buy-out it arranged to take it out of the hands of food retailer Asda in November 1987. The crunch of having to pay £10m interest by last Wednesday, and the long negotiations that ensued, have helped Mr Hunt to lose 2½ stone. But through it all, he is sure that MFI's trading strategy is right. **Page 26**

Japanese move into Hollywood

JVC is a Hollywood unknown that plans to be a film star. Its choice of partner, Mr Lawrence Gordon, the producer and former 20th Century Fox president, marks its first move on the blockbuster trail. JVC is not new to the film industry, having a Best Artistic Achievement Award winner at Cannes and several other Japanese films under its belt. But it is treading carefully in the US – this is the first significant Japanese production venture there, and JVC is aware that the Japanese buying into Hollywood could be a sensitive issue. **Page 18**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Volkswagen	487.5	+	16.5
Lufthansa	192	+	9.2
Hochtief	770	+	33
Veba	350.2	+	9.5
Falls			
Deckel (Fr)	188	–	9.5
NEW YORK ($)			
Rises			
Lyphomed	30¾	+	7¾
UAL	273⅜	+	3⅞
Whittaker	12⅛	+	½
Falls			
Carrington Lab	31¾	–	3½
Coca-Cola	114⅝	–	1
Philip Morris	158¼	–	⅞
PARIS (FFr)			
Rises			
Coparex	380	+	24
Club Med	655	+	28
Alspi	670	+	28
Falls			
Imm'bles de Fr	1310	–	40
Navig Mixte	942	–	28
TOKYO (Yen)			
Rises			
Eagle Industry	1300	+	200
Toho Titanium	2900	+	220
Ishikawajima H	1340	+	100
Falls			
Hashimoto Forng	840	–	45
Sasaki Glass	1700	–	90
Toyo Kohan	712	–	35

New York prices at 12.30.

LONDON (Pence)			
Rises			
BAT Inds	838	+	20
Burton	259	+	6
Carlton Comm	881	+	21
EBC	195	+	10
Fisons	356	+	11
GUS A	1110	+	26
ICI	1267	+	18
Kingfisher	341	+	5
Leigh Int'sts	373	+	14½
Midland Bank	373	+	11
Park Food	254	+	20
Rentokil	401	+	10
Sedgwick	259	+	9
Utd Newspapers	520	+	16
Wellcome	729	+	56
Falls			
BICC	535	–	9
BTR	474	–	10
Body Shop	458	–	12
Marley	144	–	6
Palma	80	–	8
Priest Marians	505	–	30
Utd Biscuits	383	–	7½

Printing group makes bid for De La Rue

By Clay Harris and Andrew Hill in London

DE LA RUE, the security printer which produces bank notes for more than 80 countries, yesterday rejected as "opportunistic" a £478m ($746m) takeover bid from Norton Opax, the specialist printing and packaging group.

Mr Richard Hanwell, Norton's chief executive, launched the bid with an attack on the "total vacuum" of executive leadership at De La Rue, which reported a 59 per cent collapse in pre-tax profits to £26.3m for the year to March 31.

The enlarged group – with annual sales of more than £700m – would have four main divisions: specialist printing and packaging; currency printing; security printing; and payment systems – cash dispensers, note counters and currency sorters.

The Norton bid presumes that De La Rue's £235m disposal of its Crosfield Electronics printing technology subsidiary to Du Pont of the US and Fuji Photo of Japan will proceed. Norton said that three other De La Rue businesses – press controls, electronic protection and Printrak fingerprint identification systems – would be reviewed for possible disposal.

The acquisition would double Norton's 25 per cent share of the UK market for the supply of plastic credit and bank cards. Norton argued that special factors, including the possibility of substitution from abroad, made this position defensible against monopolies objections. However, it plans to sell De La Rue's UK cheque-printing business, a sector in which it already has a 30 per cent market share.

Norton's hopes of success depend not only on De La Rue's final response but also on two other parties. One is the publisher Mr Robert Maxwell, who owns 15 per cent of De La Rue and influences another 6½ per cent through Scitex, an Israeli company in which he holds 27 per cent.

The other is Bowater Industries, the packaging and industrial products group which bought a 26 per cent stake in Norton from Mr Maxwell earlier this year. Norton needs Bowater's acquiescence for the bid to proceed.

Before the Crosfield disposal, which is expected to raise a net £232m, De La Rue has about £270m of gross debt and £110m of cash in its balance sheet.

The predator, which already owns 0.2 per cent of its prey, is offering one ordinary share, 30p nominal of convertible unsecured loan stock and 150p in cash for each De La Rue share.

Lex, Page 16

Seeking windows around the world

Andrew Hill and Clay Harris on Norton Opax's bid for De La Rue

If the size of a bid can be measured by the number of banks involved, then Norton Opax's £478m ($764.8m) hostile bid for De La Rue is enormous.

Chief cashiers from as many as 90 countries sign their names on banknotes produced by De La Rue or on De La Rue's printing machines.

As one of the world's largest printers of cheques, bearer bonds, share certificates, credit cards, vouchers and other valuable pieces of paper, the 176-year-old security printer counts an influential group of commercial and central banks among its clients.

Mr Richard Hanwell, the down-to-earth Yorkshireman who has been Norton's chief executive since 1982, is not fazed by the length of De La Rue's client list. Nor is he concerned about the prospect of having to convince unpredictable De La Rue shareholders like Mr Robert Maxwell or Mr Carlo de Benedetti of the value of Norton's bid. They hold or control 21.5 per cent and just under 5 per cent of De La Rue respectively.

Mr Hanwell points out that Harrogate-based Norton has itself built up links with more than 40 governments through its own international security printing operations, and possesses a comparable customer base.

But he admits that as a globe-trotting missionary for Norton, he has seen the respect in which the De La Rue name is held and it attracts him.

"Wherever I go in the world De La Rue has a shop window," he says. "Norton Opax has already achieved quite a leap in seven years. We think we can bring marketing and management to the empty shop windows around the globe."

If Norton succeeds, the company will in one bound achieve its ambition to earn more than half its income outside the UK. Geographically and by product, the two groups' activities slot together neatly, claims Mr Hanwell. Where De La Rue is prominent in continental Europe, South America and South East Asia, Norton's non-UK operations are in North America and Australasia.

Norton, he says, would offer De La Rue the stability of its book-printing and specialist packaging operations.

It would also fill the vacuum left on De La Rue's board by the departure of Mr Brian Malpass, who resigned as chief executive on the grounds of ill health in June, when the group announced a collapse in 1988-89 profits.

De La Rue denies that the gap at the top indicates there are holes throughout the group's management, but Norton says it could offer De La Rue subsidiaries incentives and autonomy – the management creed which Mr Hanwell installed at Norton seven years ago.

A takeover would bring disposals in its wake, in addition to the already agreed £235m sale of Crosfield Electronics to Du Pont of the US and Fuji Film of Japan. Norton aims to refocus De La Rue on core businesses.

Printrak, De La Rue's fingerprint identification operation which lost £14.7m last year, is among the divisions earmarked for possible sale. Others are De La Rue's press controls and electronic production systems and Norton's own US database publishing systems.

Norton would also move De La Rue out of cheque-printing in the UK. The group already has about 30 per cent of this market, De La Rue about 12 per cent. Even if this passed muster with the Office of Fair Trading, which is unlikely, UK banks' policy of seeking multiple sources would reduce the combined group's market share to about 30 per cent. Together, the three businesses account for £60m of the £345m in sales of De La Rue's non-Crosfield rump.

But Mr Hanwell has a number of meetings to arrange before he can return to Harrogate and rest on Norton's laurels.

The first discussions could be with the target itself, re-opening talks which Mr Hanwell says De La Rue closed just before announcing its profits collapse two months ago. De La Rue says there is not much to talk about at the current offer price.

Mr Hanwell will also have to discuss his plans with Bowater Industries, which bought a 25.6 per cent stake in Norton from Mr Maxwell in January.

Finally, Norton must renew its acquaintance with the capricious Mr Maxwell. The publisher and his associate companies would be looking at a total loss – on paper – of about £23m on their investment if they accepted the current offer.

On the other hand, Mr Maxwell and Scitex, the Israeli company of which he owns 27 per cent, would control nearly 11 per cent of the enlarged group.

This puts Mr Hanwell in the unusual position of soliciting Mr Maxwell to come on to his share register. "Actually he's very supportive as a shareholder," Mr Hanwell insisted yesterday with a somewhat selective memory.

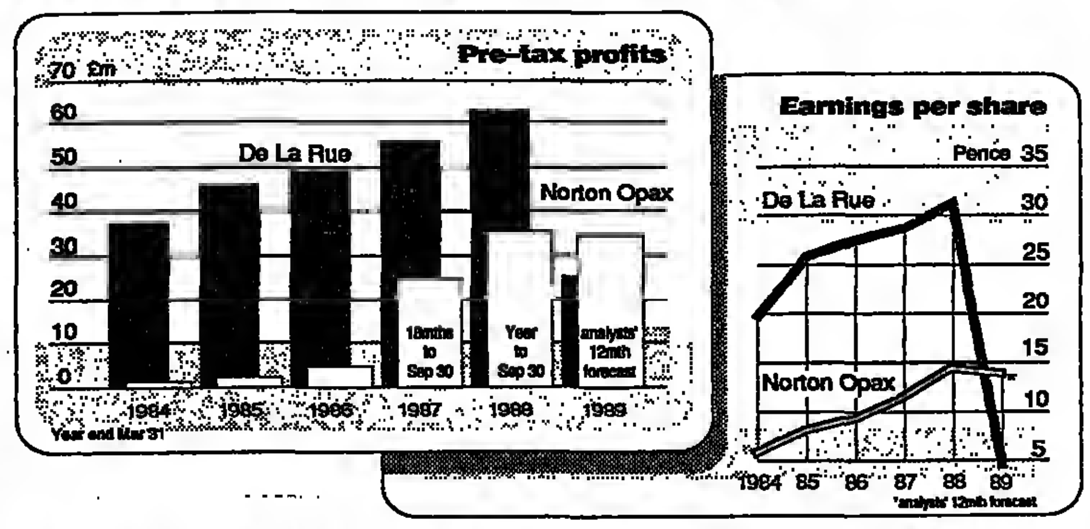
Norton squeezed through with 50.2 per cent acceptances but then had to wait to see the Appeal Court sustain a crucial Takeover Panel decision.

In the latest bid, Mr Hanwell argued yesterday that the fundamental value of De La Rue shares was in the region of 250p to 260p and that Norton's bid merely "crystallised" the bid premium which had been in the shares since Mr Maxwell first bought in after the October 1987 crash.

After the 1988-89 collapse in De La Rue's earnings per share to 4.9p, Norton's offer values it on a heady exit multiple of more than 69.

Moreover, with the dearth of executive directors at De La Rue and the current unfriendly climate for leveraged buy-outs, it appears unlikely that Norton will face a rival offer from management as it did at McCorquodale.

In any case, argues Mr Philip Cushing, Norton's chief executive for international operations: "It is the combination of the two companies which offers the opportunity rather than a solo bid to get a change of management."



TIMETABLE

- **DEC 1986: Norton Opax's £150m bid for McCorquodale narrowly defeats buy-out offer by target company's managers – despite Robert Maxwell's last-minute switch of support to MBO. Maxwell ends up with 22 per cent of Norton, a holding later increased to 25.6 per cent.**
- **OCT 1987: After market crash, Maxwell buys 15 per cent of De La Rue.**
- **JAN 20 1989: Maxwell auction of Norton stake fails to fetch 195p minimum but holding sold for 170p to Bowater Industries.**
- **FEB 14: De La Rue says profits will fall in year to March.**
- **LATE FEB: Norton approaches De La Rue and companies begin talks about possible links.**
- **EARLY JUNE: De La Rue breaks off talks.**
- **JUNE 6: Chief executive Brian Malpass quits as De La Rue profits dive from £62.4m to £26.3m.**
- **JULY 14: Scitex, Israeli company 27 per cent owned by Maxwell, buys 6.1 per cent of Da La Rue.**
- **JULY 18: De La Rue announces £235m disposal of Crosfield to Du Pont and Fuji Photo.**
- **JULY 23: Scitex says it might pay up to £265m for Crosfield.**
- **JULY 30: Maxwell urges postponement of De La Rue agm.**
- **AUG 3: Maxwell silent as shareholders approve disposal.**

Troubled Wang in bank loan reprieve

By James Buchan in New York

WANG Laboratories, the US computer maker, has secured a breathing space for its troubled business with an agreement from its banks to maintain their loans to the company.

The agreement, which was reached after a weekend of grinding negotiation, buys a little time for Dr An Wang, the company's ailing founder, to find a new president who can tackle the weakness in Wang's main market for minicomputers. Wang stock rose smartly on Wall Street in reaction to the agreement yesterday morning, climbing $¼ to $5¼.

Under the new agreement, the bank lenders led by Bank of Boston agreed to maintain some $475m in outstanding loans and provide an additional $100m in new money. Of the old loans, $125m worth were due on September 30 and these have been rolled over until next July.

To secure the loans, Wang is pledging its assets excluding its inventory. But in an unexpected concession, the banks will let Wang raise up to $175m from asset sales and plough it back into the business as working capital.

"Adding in that $175m puts us in a much better situation," said Mr Paul Henning, a Wang official.

The company said yesterday that it would now make all payments outstanding on its debt. Last week, as the negotiations dragged on, the company said it would not meet principal and interest payments coming due on its debt.

The company has a total of more than $900m in bank debt, securities and short-term IOUs sold to European investors, known as Eurocommercial paper. The company's sales are slowing at $3.03bn in the year to June, and the company lost $424.3m in the year.

The agreement, which was signed in the early hours of yesterday morning, was welcomed on Wall Street. "At least they've got 11 months to straighten things out," said a credit analyst. Another said the agreement showed that Dr Wang, despite his ill health and the weakness of the company, still had the strength to negotiate a favourable deal.

The next step is for Dr Wang, who is 69, to find a president to replace his son, Mr Frederick Wang, who quit two weeks ago apparently for fear that he had lost his father's confidence.

Wang has also retained two investment banks to raise cash by finding buyers for outlying businesses.

GEC/Siemens bid price too low says Plessey defence document

By Hugo Dixon in London

THE HOSTILE 270p-a-share offer for Plessey by the General Electric Company and Siemens of West Germany is unacceptably low, according to the defence document published yesterday by the beleaguered UK electronics group.

Shareholders faced little downside and considerable upside if they rejected the offer.

"It is good to have the real fight which is in the market-place for the hearts and minds of our shareholders," said Mr Stephen Walls, Plessey's managing director as he launched the defence document in the hopefully-named Victory room of the company's new presentation centre near Trafalgar Square, in central London.

He made clear that the defence campaign which has two-and-a-half weeks to run would now concentrate on highlighting the value of an independent Plessey.

The manoeuvring of the past nine months, during which Plessey has tried a series of innovative moves to escape the clutches of GEC/Siemens, was at an end, according to Mr Nick Jones, a managing director at Lazard Brothers, Plessey's merchant bank.

"It is not helpful to have any more rabbits coming out of the hat."

Plessey's argument that the 270p offer does not include much of a bid premium is based on comparisons with other companies in the sector.

The company contends that a premium is due because of the strategic value that both Siemens and GEC would get from acquiring it.

Mr Walls claimed that the company had an exciting future if it remained independent.

It would continue its policy of diversifying into high-growth areas and would promote alternative ways of restructuring the UK electronics industry.

The defence document had no impact on Plessey's share price, which closed unchanged at 266p.

However, Mr Walls intends to see 50 of the company's leading institutional shareholders in one-to-one meetings over the next two and a half weeks in the hope of moving it above the offer price.

Additionally the document revealed that Plessey's directors were awarded salary increases of up to £25,000 a year at the beginning of July.

Sir John's salary went up from £215,000 to £240,000, equivalent to a 11.6 per cent rise.

Mr Stephen Walls, the company's managing director, saw his salary rise by £25,000 to £200,000, a 14.3 per cent increase.

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UAL vetoed buy-out plan in June

By Anatole Kaletsky in New York

BRITISH Airways and Morgan Stanley proposed a leveraged takeover of United Airlines three months ago, but were initially rebuffed by the management of UAL, United's holding company.

But following the $6.2bn bid for UAL announced this month by Mr Marvin Davis, the management changed its mind, and the planned BA/Morgan Stanley partnership has emerged as the leading contender to buy the second largest US airline.

However, US protectionism could still be an obstacle to a buy-out led by BA, as closer ties between it and United would further weaken the struggling US flag-carriers across the Atlantic, Pan American and TWA.

Mr Derek Stephens, BA's finance director, would only confirm publicly that Morgan Stanley was "one of our financial advisers" and said that he could not comment on his company's involvement in an earlier proposal to buy UAL.

Officials at Morgan Stanley, the New York investment bank whose $2.3bn leveraged buy-out fund is the second biggest on Wall Street, were also unavailable for comment.

However, people involved in the escalating bidding contest for UAL said that BA/Morgan Stanley was the other party referred to by United's management when it said this month that it would carefully weigh the bid from Mr Davis along with restructuring proposals from others.

The idea of a buy-out backed by BA was first mooted by Morgan Stanley in June, immediately after the takeover of NWA, the parent company of Northwest Airlines.

But Mr Stephen Wolf, UAL's chairman, felt that his company would not be vulnerable to a hostile bid; therefore he rejected the friendly proposal.

Immediately after Mr Davis launched his bid for UAL, Mr Wolf and other members of the UAL board changed their attitude. The presence of the Morgan Stanley/BA partnership as a rival bidder in the background is said to have been the main reason why Mr Davis has twice raised his offer for UAL.

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JVC in film deal with US producer

By Robert Thomson in Tokyo

VICTOR COMPANY of Japan (JVC) yesterday announced the signing of a $100m-plus film deal with a prominent US producer – going to Hollywood with dreams of box office hits and the hard-headed presumption that the film capital's glitter will rub off on its reputation in a glamour-conscious home market.

Having already bankrolled a Best Artistic Achievement Award winner at Cannes and several other Japanese films, JVC is more in Hollywood for the money than the artistry, and has chosen as a partner Mr Lawrence Gordon, the producer and former 20th Century Fox president.

In the first significant Japanese production venture in the US, Mr Gordon will add his expertise to JVC's capital to form Largo Entertainment, which is described by the Japanese company as a "general partnership." JVC said its initial outlay would be in excess of $100m, but did not reveal the precise total. The partners would have half shares.

Largo Entertainment has plans to produce three films a year, and a JVC official said that the first production could be in US cinemas next summer, though the film has yet to be chosen. The official said Mr Gordon, whom the Japanese company presumes will have a budget per film of $20m on past performances, has a stock of 30 works in progress.

JVC, which is 50 per cent owned by Matsushita Electric Industrial, the maker of National and Panasonic consumer electronics goods, expects that the finished celluloid product "will be a first class, good quality film" that makes money.

Other Japanese companies have shown an interest in Hollywood, including Sony, a rival consumer electronics company which has bought CBS Records and appears keen to purchase an established film house. JVC itself says that buying an existing studio had been seriously considered.

"We thought there might be problems in buying a big studio. We wanted to be sensitive to the feeling in the US," a company official said, alluding to the possible outcry if a studio perceived by the US public to be a national asset was bought by a Japanese company. "We feel that we have very much to learn about films, so we think that this is quite a good deal."

The investment in Largo will be made through JVC Entertainment, a recently established Los Angeles subsidiary devoted to to the film and music industries. Mr Seiichiro Niwa, senior managing director of JVC, has been appointed chairman of JVC Entertainment, and said yesterday that "it has long been our dream to get into the movie business on the world stage."

He added: "We are excited to be Japan's first entrant into the US film industry, and are confident that the combination of Mr Gordon's excellent movie production expertise and JVC's capability in hardware and software will greatly contribute to the development of movie and visual cultures."

Mr Gordon has become one of Hollywood's more bankable producers, with hits including Field of Dreams, Die Hard, and Predator. He will be the chairman of Largo Entertainment, which will not distribute its own movies, but presumes that the product will be handled "only by major studios."

JVC, which already distributes films and videos in Japan, and Mr Gordon will have a 50 per cent share of distribution, performance, television and video rights in the US and Europe, while in Japan JVC will hold full rights. The Japanese company will have to approve in principle a project before money is committed, though the Hollywood producer will have the "final creative say."

Hollywood success: actor Bruce Willis in Die Hard, one of Lawrence Gordon's cinema hits for 20th Century Fox

Nikka 20% float to raise at least Y20bn

By Robert Thomson

NIKKA WHISKY Distilling, Japan's second largest whisky maker, plans to float 20 per cent of its equity on the Tokyo Stock Exchange next month in an issue which, at the minimum price indicated yesterday of Y2,800, would raise at least Y20.7bn ($145.1m).

The listing on the second section of the TSE will represent a test of confidence in Nikka's position in the increasingly competitive whisky market, as well as being the country's first big share launch since last December, when Mitsubishi Motors was listed.

Earlier this year, a domestic tax system which discriminated against imported spirits was abolished, and Scotch whiskies and other imports had better access to a whisky market estimated at around 20m cases a year.

Several new Japanese products have landed on the market in the past few months, as local makers have attempted to take advantage of the new pricing structure, and prices of some brands have been heavily reduced.

Nikka Whisky, founded 55 years ago, is controlled by Asahi Breweries, the second largest domestic brewer. Of the 7.7m shares being issued, bids will be accepted through a public tender for an initial 2.28m units, whereafter the rest will be placed through brokerage houses.

Funds raised will apparently be used for capital investment and loan repayment. Nikka reported Y2.59bn in pre-tax profits in the year to last December, an increase of 20.8 per cent on the previous year.

The Tokyo stock market edged to a record high yesterday, despite thin trading, and brokers expect that gains made in recent weeks will be consolidated in the coming month, as there is an expectation of higher than expected company returns this year, all of which creates a congenial environment for a new listing.

As with most Japanese consumer goods, the most lucrative section of the whisky market of late has been at the top end, with consumers prepared to pay for quality. Despite the increased flow of foreign products this year, Nikka and Suntory remain dominant, with both having their own cosy supplier links to the thousands of small bars around the country.

About two-thirds of whisky sales in Japan are in bars, while in most countries the take-home trade is a greater source of earnings.

Fujisawa launches $1bn takeover bid for LyphoMed

By Karen Zagor in New York

FUJISAWA Pharmaceutical, one of Japan's top 10 drugs companies, yesterday offered $31 a share for LyphoMed, an Illinois-based drugs producer valued under the bid at about $1bn.

The move is the first significant attempt by a Japanese company to buy its way into the world's largest pharmaceuticals market.

However, Fujisawa's interest in LyphoMed dates to 1985 when the Japanese company first acquired a stake. By October 1986, Fujisawa had increased its holding to its present 30 per cent.

LyphoMed has attracted takeover speculation since June when the Food and Drug Administration approved its NebuPent, an aerosol version of pentamidine which is used to treat pneumonia in AIDS patients. Pneumonia is the leading cause of death among people with AIDS.

LyphoMed performed badly last year, reporting a net loss of $21.1m on revenues of $127.8m against net income of $21m on revenues of $172.7m a year earlier.

Yesterday's bid triggered a flurry of activity in Nasdaq over-the-counter trading, where shares in LyphoMed were changing hands at $30¾, up $7¾ from Friday's close. By 1pm nearly 3m shares had changed hands. The closing high for LyphoMed stock last year was $14⅞.

The company warned, however, that "there can be no assurance that the proposal, in its current or any revised form, will be approved by the board, and no one should assume that any transaction will result."

None the less Dr John Kapoor, LyphoMed's founder and chairman who holds about 14 per cent of the shares, has agreed not to sell his stock except to Fujisawa until the end of this year. Dr Kapoor has also granted Fujisawa a proxy to vote those shares for the rest of the year.

Fujisawa has US links through a joint venture with SmithKline (now merged with the UK's Beecham) and a licensing tie-up with American Cyanamid, but the LyphoMed acquisition would give it a direct US marketing arm in its own name.

According to Mr Samuel Isaly, an analyst at the New York office of Warburg Securities, this would be the most dramatic move outside Japan by a Japanese prescription pharmaceutical company.

It would also fit in with the general trend in the world's $120bn-a-year drugs industry towards larger, multinational companies which can benefit from spreading the high cost of research and development and marketing across bigger markets.

"It's gorgeous, just beautiful. A stunning stroke by Fujisawa to establish a reasonably strong presence in the US," said Mr Isaly.

Malaysian group recasts debt and equity

By Lim Siong Hoon in Kuala Lumpur

UMW Holdings, the Malaysian automotive group which has been hit by introduction four years ago of the rival Proton national car, has begun a 53m ringgit (US$19.7m) debt and equity restructuring scheme.

The group is predicting a pre-tax profit of 52m ringgit this year after a run of losses. UMW is mainly engaged in supplying Toyotas, and its improved performance will in addition enable it to regain majority control of UMW Toyota Motor, the Toyota car assembler and distributor, after UMW's financial position forced it to surrender part of its holding to Japanese investors in 1987.

The latest acquisition, being made via a share exchange, raises UMW's interest in UMW Toyota to 72 per cent from 44 per cent.

The new car market in Malaysia has begun to recover since a slide in 1987. This year sales are anticipated to top 70,000 units, up by 20 per cent from last year, because of better economic growth and an appreciation in the value of the Malaysian ringgit.

In the restructuring, UMW will convert a 32.73m ringgit of debt into equity at one ringgit a share, it said in a circular to shareholders. It will also offer 3.9m new shares and 500,000 ringgit cash to double its stake, to 85 per cent, in Seablanc Kredit, a hire-purchase and finance company.

Together the arrangements will expand its share capital by 40 per cent to 162.41m ringgit.

First Pacific buys 50% of HK mobile phone group

By Michael Marray

FIRST PACIFIC, the Hong Kong-based investment group controlled by the Liem family of Indonesia, is stepping up the battle in the territory's cellular telephone market with the launch next month of an advanced mobile telephone network by Pacific Link Communications.

First Pacific is acquiring a 50 per cent stake in Pacific Link, formerly known as Chinatel, from the Peking-backed China Resources. The system is being lauched with a HK$200m (US$25.6m) investment to improve the old Chinatel cellular network, and will have a capacity of around 40,000 subscribers.

Chinatel was the smallest of Hong Kong's licenced portable phone operators. The majority of the territory's 70,000 users are either customers of Hutchison Telephone, a subsidiary of Hutchison Whampoa, or Communication Services, a unit of Hong Kong Telecommunications.

Pacific Link is 30 per cent held by Millicom International, the US-based telecommunications company, and 20 per cent by Comvik of Sweden, both of which were previous partners of China Resources in Chinatel.

The new network will operate on an enhanced version of the Total Access Communications System (Tacs), with equipmentsnpplied by Ericsson, also of Sweden. Mr Henry Goldstein, chief executive of Pacific Link, said the company was also looking to expand into other areas of personal commmunications and into other markets within the region.

Haeco hit by skill shortages

By Michael Marray in Hong Kong

THE EMIGRATION of skilled staff is causing problems at Hongkong Aircraft Engineering Company (Haeco), the commercial aircraft overhaul and maintenance company which yesterday acknowledged that profit margins were coming under pressure becanse of higher wages paid to retain staff and attract new workers.

None the less, Haeco's first-half figures showed a healthy increase over the same period last year, with profits after tax and minorities up 26.8 per cent to HK$147.5m (US$18.9m), on turnover which grew 19.5 per cent to HK$696.7m.

Haeco, which is part of the Swire Pacific trading group which also controls Cathay Pacific Airways, was several months ago the target of a recruitment swoop by Qantas, the Australian state-owned carrier which enticed away highly qualified engineers anxious to emigrate from Hong Kong in the wake of the June 4 massacre in Peking.

Haeco said: "In the face of increasing emigration of skilled workers the company is making greater efforts to recruit and retain staff at all levels, and this has already led to higher staff and other costs which are likely to exert some downward pressure on profit margins in the second half of the year."

A company statement added, though, that full-year results should still show a satisfactory improvement over 1988.

The acquisition of three new aircraft by Cathay Pacific, which owns 25 per cent of Haeco and is its biggest customer, helped boost scheduled maintenance business during the first half.

The workload of the overhaul division was satisfactory with a substantial volume of work performed on Rolls-Royce RB211 engines for Cathay's enlarged fleet.

INTERNATIONAL COMPANIES AND FINANCE

Club Med stages strong recovery in first half

By George Graham in Paris

CLUB Mediterranée, the French holiday group, has reported a strong recovery in first-half earnings after last year's activities had been hit by the weak dollar and by hurricanes and cyclones in the Caribbean.

Consolidated net profits increased by 59 per cent in the six months ended April to FFr120m ($18.2m), with sales rising by 24 per cent to FFr3.4bn.

The group said its US subsidiary, Club Med Inc, had shown a strong recovery with profits up 48 per cent to $23.01m on sales of $269.1m. The 10.5 per cent rise of dollar over the past year meant that, in French franc terms, the American operations showed a 64 per cent increase in net profits from the first half of 1987-88.

Excluding Club Med Inc, group profits rose 36 per cent to FFr14.9m on sales of FFr2.06bn.

Club Med said its "winter sun" holidays had continued to grow by 20 per cent while sales of skiing holidays remained strong despite problems with the lack of snow last winter. The Club filled 75 per cent of its beds in Europe.

A new village has now been opened at Opio, near Grasse in southern France.

In Amarica, Club Med reopened its Mexican village of Playa Blanca and started up the new resort of Huatulco. The Cancun village, damaged by Hurricane Gilbert in September 1988, was not reopened until April, and the Haiti Club Med remained closed.

This winter, Club Med plans to open two new ski villages in France at Val d'Isère and at Superbagnères, and agreements have been signed for Club Med projects in Jordan, the Bahamas and Guyana. Club Med One, claimed to be the world's largest sailing cruise ship, is due to be launched in 1990.

Buehrmann-Tetterode up 39%

By Laura Raun in Amsterdam

BUEHRMANN-TETTERODE, the big Dutch paper group, reported a 39 per cent increase in first-half profits yesterday and announced plans to sell its soft tissue activities which for 1988 had sales of Fl 210m ($95.5m).

The buyers are James River Corporation of the US and Italy's Ferruzzi group, which jointly own tissue activities in Europe. B-T announced last May that it intended to withdraw from tissue production and toy wholesaling in order to concentrate on core activities like industrial paper products and graphic equipment.

B-T's tissue subsidiaries comprise Celtona, a household tissue manufacturer for the Benelux market, and Invercon Papermills, based in Northern Ireland, which makes private-label household tissue products for the UK and Ireland. Between them they employ 820 people. Invercon made a loss last year.

The disposal is part of plans to alter the shape of B-T. It is currently negotiating the sale of its toy companies and has moved into the office furniture business via the purchase of 51.5 per cent of the Ahrend group.

For the first half of 1989 net income jumped to Fl 90.2m from Fl 64.9m a year earlier. Sales rose by 23.5 per cent to Fl 2.5bn.

Per-share earnings rose only half as fast as net profits, climbing by 18 per cent to Fl 2.85 from Fl 2.42. For all of 1989 B-T expects per-share earnings to show an increase on 1988.

Nonconsolidated companies' profits more than doubled to Fl 24.8m from Fl 10.7m thanks to a joint venture in corrugated-board paper.

Winterthur buys ITT insurers

By Haig Simonian

WINTERTHUR, the big Swiss insurance group, has agreed to buy Transatlantische Allgemeine Versicherung and Telcon Versicherung from ITT for an undisclosed amount.

The deal, which depends on approval from the German insurance supervisory office, will expand Winterthur's position in Germany, where it currently owns 37.2 per cent of Nordstern, a group majority-owned by Colonia.

Premium income of Transatlantische and Telcon is estimated at around DM200m ($102.6m) for this year.

Gechem to sell unit to Ajinomoto for $94.4m

By Our Financial Staff

GECHEM, the Balgian chemicals group, is to sell its Omnichem fine chemicals unit to Ajinomoto of Japan for BFr3.87bn ($94.4m).

The disposal is part of Gechem's plans to narrow its focus to its two main product groups, polyurethanes and metallic oxides, following recent losses.

Gechem, which is 85 per cent owned by Société Générale de Belgique, Belgium's biggest holding company, ran up a net loss of BFr5.1bn in 1988 on sales of BFr44.3bn.

Omnichem itself achieved an after-tax profit of BFr120m for last year on sales of BFr1.6bn. The subsidiaries' assets totalled BFr2.4bn.

Gechem said the transaction should be completed by the middle of next month. The purchase price does not include charges related to transactions costs, warranties, and other related costs, the Belgian group said.

Ajinomoto is a leading Japanese industrial and food processing group with Y510bn in sales for the year ended March.

Hoesch expands in electronics components

By David Marsh in Bonn

HOESCH, the West German steel company, is taking over Schroff, a manufacturer of electronics components, in a deal which carries a stage further its diversification drive into high technology sectors.

Schroff, a family-owned business built up from 1960 onwards in Pforzheim, Baden-Wuerttemberg, has a turnover of around DM220m ($112.5m) and employs 1,200 people. Hoesch, which said it was taking over the company to extend its expertise in the electronic measurement and controls area, declined to reveal the purchase price.

The transaction will take effect once formal agreement is given by the Federal Cartel Office in Berlin. Schroff, which operates production and sales units in France, Britain, the US and Japan, is run by the founder, Mr Gunther Schroff, who will remain chief executive until further notice.

Hoesch has been making an effort over the past two or three years to move into factory automation and electronics systems to lower its dependence on steel, which made up roughly half of its DM8.4bn turnover last year.

Schroff's components, including electric control instruments and micro-processor systems are employed in a range of plant and machinery uses and in transport and communication technology.

Hoesch has been making a tentative start at building up its automation and systems activities. It recorded turnover in this area of only DM213m last year, although this was up more than threefold from DM63m in 1986.

It has made a number of acquisitions of smaller, high-performance companies in sectors such as software, sensors, automatic manufacturing equipment, and telecommunications.

Mr Detlev Rohwedder, the former Social Democrat Economics Ministry state secretary who is now Hoesch chairman, has declared the objective of boosting turnover in the control and measuring equipment area to DM1bn by the beginning of the 1990s.

Deutsche Bank sets up life unit

By Haig Simonian in Frankfurt

DEUTSCHE BANK, West Germany's biggest bank, yesterday announced that its long-awaited move into the life insurance business would be made four months ahead of schedule, on September 1.

The move is being spearheaded by a new Wiesbaden-based subsidiary, Lebensversicherungs-AG der Deutschen Bank which is to be capitalised at DM50m. In addition, the company will be provided with DM50m ($25.6m) for a special "organisational fund."

While aiming to compete with the country's established life insurance industry on both price and range of services, Deutsche Bank's policies will not represent a radical departure from industry practice.

Thus the bank has, for example, eschewed the idea of flexible fund-linked life products.

The aim has been to devise policies, which will be sold through the bank's 1,300 branches, better attuned to customer demand than those currently available elsewhere, said Mr Georg Krupp who will chair the new subsidiary's supervisory board.

Fees for policies from the new operation therefore are to be staggered over a period of time, rather than being paid as a one-off lump sum as in current industry practice in Germany.

Moreover, while differing little on premiums, additional cover, such as continuing payments to dependents, would be cheaper than at other insurers, while there would also be much greater transparency for policy-holders, said Mr Johann Wieland, the new subsidiary's chief executive.

Mr Krupp noted that Deutsche Bank Bauspar, the home savings operation set up in 1987, was now writing some 100,000 savings contracts a year at an average size of DM35,000. Most of those required life cover, which was currently being passed on to Berlinische Leben, a specialist life group. This business alone would help get the new operation off to a flying start, he implied.

Mr Krupp was evasive as to whether the bank might eventually take a partner into its new business. The bank's openness to outside participation remained "unchanged," he said.

He was similarly wary on the question of developing the life insurance business throughout the retail banking network Deutsche Bank is now trying to build across Europe.

The new operation's re-insurance needs will be provided by four groups – Gerling-Global and Frankona, both of which are members of the privately-owned Gerling group, Hannover Rückversicherung, which is a mutual owned by representatives of German industry, and Swiss Re.

The choice of reinsurers, which fall somewhat outside the mainstream of German names, throws a telling light on the current differences between Deutsche Bank and the bulk of the established German insurance industry.

Contrary to the view that Deutsche Bank had experienced difficulty in arranging reinsurance cover, Mr Krupp confirmed that the bank had obtained very favourable terms for its reinsurance needs.

Profits mark time at Aga

By Robert Taylor in Stockholm

AGA, the Swedish industrial gas group, reported yesterday profits after financial items for the first six months of SKr540m ($81.4m), against SKr537m for same period of last year. The main reason for the lack of profit growth is due to the negative effects of austerity measures and currency devaluations in Latin America.

Aga estimates that its operating income from its gas operations in Argentina, Venezuela and Mexico fell by nearly SKr50m compared with the first six months of last year. As a result the company said that it expected its results for the whole of 1989 to be similar to last year's SKr1.15bn.

It also reported that sales improved by 12 per cent in the first half – up to SKr5.2bn from SKr4.64bn.

But Aga also disclosed that its operating income from its overall gas operations went up by 10 per cent in the first half to SKr590m from SKr534m for the first six months of 1988, while the operating income from its energy operations increased by 23 per cent to SKr59m from SKr48m.

At the same time the group has increased the level of its investments in land, buildings and machinery to SKr620m from SKr536m.

● Fläckt, the Swedish environmental product subsidiary of the Asea Brown Boveri group, has acquired Aerovent, one of the biggest manufacturers of ventilators in the US with annual sales of SKr230m. As a result of the purchase, Fläckt's North American operations become the largest producer of industrial ventilation equipment in the US, with an estimated annual turnover of SKr400m.

Control of costs lifts Rabobank

By Laura Raun

EFFECTIVE COST control helped Rabobank, the big Dutch co-operative bank, boost its earnings by 18 per cent in the first six months of the current year.

Net income jumped to Fl 443m ($201m) from Fl 374mn as costs rose more slowly than income. Expenses edged up 4 per cent to Fl 1.64bn.

Lending was strong in the six months with a record amount lent to the agricultural sector, the mainstay of Rabo's clientele.

But squeezed interest-rate margins limited growth in interest income to 7 per cent to Fl 2.05bn.

Commission income surged 16 per cent to Fl 415m but "other income" fell sharply, by 25 per cent to Fl 79m on losses in the bank's securities portfolio.

For 1989 as a whole Rabo predicted that earnings would show a "marked increase" over 1988.

In the January-June period provisions for bad loans were increased by 10 per cent to Fl 275m. Balance sheet total expanded to Fl 170.8bn at end-June.

Groupe AG on takeover trail

GROUPE Assurance Générale (AG), Belgium's second largest insurer after Groupe Royale Belge, is seeking to expand in Europe through acquisitions or joint ventures, AP-DJ reports.

Mr Valeris Croes, the managing director, said AG is in talks with medium-sized companies in several countries where it hopes to establish a dominant market presence.

"We are in dialogue with companies in Europe, looking to take them over or have joint ventures to work together in Europe," said Mr Croes.

"We're not poor. We've got a war chest." He said AG could count on support from its shareholders, including Société Générale de Belgique and Asahi Mutual Life Insurance.

Mr Croes declined to say what companies AG is eyeing. He did point out, however, that the company is seeking to expand its positions in France, the UK, and the Netherlands, where it already has a presence outside of its home market. AG would also like to enter insurance markets in Italy and West Germany.

Mr Croes said plans for growth in Europe are part of a strategy for coping with the removal of national barriers to trade in goods and services in the European Community by the end of 1992.

Mr Croes said he expected 1989 earnings to at least match those of 1988. Business was proceeding smoothly and claims were running below their levels of last year, he said.

For 1988, AG produced an after-tax profit of BFr5.2bn which was an increase of 26 per cent on 1987. Group revenues last year totalled BFr80.4bn.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, August 21, 1989. . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	62.8761	32.2240	44.1601
Albania	(Lek)	10.1277	6.4160	3.2882	4.5062
Algeria	(Dinar)	12.03423	7.6238	3.9072	5.3544
Andorra	(Fr Fr)	10.3875	6.5806	3.3725	4.6218
	(Sp Peseta)	192.25	121.7928	62.4188	85.5394
Angola	(Kwanza)	47.774	30.2654	15.5110	21.2565
Antigua	(E Carr $)	4.2363	2.6837	1.3754	1.8848
Argentina	(Austral)	1026.55	650.3325	333.2954	456.7519
Aruba	(Florin)	2.80851	1.7792	0.9118	1.2496
Australia	(Aus $)	2.0687	1.3105	0.6716	0.9204
Austria	(Schilling)	21.685	13.7377	7.0405	9.6484
Azores	(Port Escudo)	258.10	163.5096	83.7987	114.8387
Bahamas	(Bahama $)	1.5785	1	0.5125	0.7023
Bahrain	(Dinar)	0.5889	0.3730	0.1912	0.2620
Balearic Is	(Sp Peseta)	192.25	121.7928	62.4188	85.5394
Bangladesh	(Taka)	49.0	31.0421	15.9090	21.8020
Barbados	(Barb $)	3.15573	1.9991	1.0245	1.4040
Belgium	(Belg Fr)	64.40c	40.7982	20.9090	28.6540
		64.65g	40.9566	20.9902	28.7652
Falkland Is	(Falk £)	1.00	0.6335	0.3246	0.4449
Faroe Is	(Danish Kroner)	11.9925	7.5974	3.8936	5.3359
Fiji Is	(Fiji $)	2.3951	1.5173	0.7776	1.0656
Finland	(Markka)	6.95575	4.4065	2.2583	3.0948
France	(Fr)	10.3875	6.5806	3.3725	4.6218
Fr. Cty/Africa	(CFA Fr)	519.375	329.0307	168.6282	231.0901
Fr. Guiana	(Local Fr)	10.3875	6.5806	3.3725	4.6218
Fr. Pacific Is	(CFP Fr)	187.0	118.4668	60.7142	83.2035
Gabon	(CFA Fr)	519.375	329.0307	168.6282	231.0901
Gambia	(Dalasi)	9.64935	6.1129	3.1328	4.2933
Germany East	(Ostmark)	3.08	1.9512	1	1.3704
Germany West	(D Mark)	3.08	1.9512	1	1.3704
Ghana	(Cedi)	432.6740	274.1045	140.4785	192.5134
Gibraltar	(Gib £)	1.00	0.6335	0.3246	0.4449
Greece	(Drachma)	264.05	167.2790	85.7305	117.4860
Greenland	(Danish Krone)	11.9925	7.5974	3.8936	5.3359
Grenada	(E Carr $)	4.2363	2.6837	1.3754	1.8848
Guadaloupe	(Local Fr)	10.3875	6.5806	3.3725	4.6218
Guam	(US $)	1.5785	1	0.5125	0.7023
Guatemala	(Quetzal)	4.4859	2.8418	1.4564	1.9959
Guinea	(Fr)	470.7	298.1944	152.8246	209.4327
Guinea-Bissau	(Peso)	1019.85	646.0880	331.1201	453.7708
Guyana	(Guyanese $)	46.79	29.6420	15.1915	20.8186
Haiti	(Goude)	7.845	4.9699	2.5470	3.4905
Honduras	(Lempira)	3.1480	1.9942	1.0220	1.4006
Hong Kong	(HK $)	12.30325	7.7942	3.9945	5.4741
Hungary	(Forint)	95.6943	60.6235	31.0695	42.5781
Iceland	(Icelandic Krona)	95.36	60.4117	30.9610	42.4293
India	(Indian Rupee)	26.0	16.4713	8.4415	11.5684
Indonesia	(Rupiah)	2797.345	1772.1539	908.2288	1244.6473
Iran	(Rial)	116.50	73.8042	37.8246	51.8353
Iraq	(Iraqi Dinar)	0.4856	0.3076	0.1576	0.2160
Irish Rep	(Punt)	1.1545	0.7313	0.3748	0.5136
Israel	(Shekel)	3.125	1.9797	1.0146	1.3904
Netherlands	(Guilder)	3.4725	2.1998	1.1274	1.5450
N'nd Antilles	(A/Guilder)	2.8242	1.7891	0.9169	1.2565
New Zealand	(NZ $)	2.6630	1.6870	0.8646	1.1848
Nicaragua	(Cordoba)	32424.40	20541.2733	10527.4025	14426.8743
Niger Rep	(CFA Fr)	519.375	329.0307	168.6282	231.0901
Nigeria	(Naira)	11.32818	7.1764	3.6779	5.0403
Norway	(Nor. Krone)	11.2500	7.1270	3.6525	5.0055
Oman	(Rial Omani)	0.6014	0.3809	0.1952	0.2675
Pakistan	(Pak. Rupee)	32.50	20.5891	10.5519	14.4603
Panama	(Balboa)	1.5785	1	0.5125	0.7023
Papua New Guinea	(Kina)	1.3729	0.8697	0.4457	0.6108
Paraguay	(Guarani)	1970.65	1248.4320	639.8214	876.8186
Peru	(IntI)	4761.35	3016.3763	1545.8928	2118.5094
Philippines	(Peso)	33.50	21.2226	10.8766	14.9054
Pitcairn Is	(£ Sterling)	1.00	0.6335	0.3246	0.4449
	(NZ $)	2.6630	1.6870	0.8646	1.1848
Poland	(Zloty)	1654.0	1047.8302	537.0129	735.9288
Portugal	(Escudo)	258.10	163.5096	83.7987	114.8387
Puerto Rico	(US $)	1.5785	1	0.5125	0.7023
Qatar	(Riyal)	5.6890	3.6040	1.8470	2.5312
Reunion Is. de la	(F/Fr)	10.3875	6.5806	3.3725	4.6218
Romania	(Leu)	14.781	9.3633	4.7987	6.5761
Rwanda	(Fr)	130.2525	82.5166	42.2897	57.9543
St Christopher	(E Carr $)	4.2363	2.6837	1.3754	1.8848
St Helena	(£)	1.00	0.6335	0.3246	0.4449
St Lucia	(E Carr $)	4.2363	2.6837	1.3754	1.8848
St Pierre	(French Fr)	10.3875	6.5806	3.3725	4.6218
St Vincent	(E Carr $)	4.2363	2.6837	1.3754	1.8848
San Marino	(Italian Lira)	2207.25	1398.3211	716.6396	982.0912
Sao Tome	(Dobra)	169.66	107.4817	55.0844	75.4883
Virgin Is-British	(US $)	1.5785	1	0.5125	0.7023
Virgin Is-US	(US $)	1.5785	1	0.5125	0.7023
Western Samoa	(Tala)	3.74	2.3693	1.2142	1.6640
Yemen	(Rial)	15.46	9.7941	5.0194	6.8787
Yemen PDR	(Dinar)	0.53817	0.3408	0.1747	0.2394
Yugoslavia	(Dinar)	39431.96	24980.6525	12802.5844	17544.8097
Zaire Rep	(Zaire)	652.68	413.4811	211.9090	290.4026
Zambia	(Kwacha)	24.40	15.4577	7.9220	10.8565
Zimbabwe	($)	3.46	2.1919	1.1233	1.5394

Special Drawing Rights August 18 1989 United Kingdom £1.25434 United States $1.24846 Germany West D Mark 2.44648 Japan Yen178.904 European Currency Unit Rates August 21 1989 United Kingdom £1.48209 United States $1.05932 Germany West D Mark 2.07732 Japan Yen151.270

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, August 21, 1989

INTERNATIONAL CAPITAL MARKETS

Handful of issues fail to bring Eurobonds to life

By Andrew Freeman

NEW-ISSUE ACTIVITY on the Eurobond market was light yesterday, with a handful of issues failing to disguise the wider quietness. One syndicate manager said that arbitrage opportunities were better than they had been for weeks but that many borrowers were reluctant to commit themselves, in the belief that falling interest rates in coming months would lower their borrowing costs.

INTERNATIONAL BONDS

Salomon Brothers was the lead manager of the day's most substantial deal, a $300m undated variable-rate note for National Westminster Bank. The notes offered an initial coupon of 35 basis points over four-month Libor, but will revert after the first coupon to a three-month yield agreement.

The issue follows a spate of recent deals for banks which can post the proceeds as Upper Tier 2 capital under Bank of England rules. Salomon brought a similar issue for Bank of Ireland at the beginning of August, and Merrill Lynch several last month.

According to a Salomon official, yesterday's paper was trading around its par issue price, amid strong demand from a range of institutional clients. There was some comment that the yield was lower than that on the previous deals, but the official pointed to the borrower's top credit rating and to the fact that previous deals had largely been locked away by investors. Underwriting commissions were not disclosed.

Abbey National tapped the New Zealand dollar sector for the first time, via a special-purpose subsidiary, with a NZ$100m seven-year zero coupon deal brought by Westpac. The bonds were priced at 45.20 to yield around 12¼ per cent at less total underwriting fees. The proceeds were swapped into floating-rate dollars to achieve a good sub-Libor funding level.

The lead manager reported a good reception from Benelux retail investors and was quoting the paper at less 1¼ bid, inside full fees. Traders said the maturity was relatively long for the sector and that this had put some investors off.

Hambros brought an A$75m five-year straight deal for South Australia Government Financing Authority. The bonds carry the guarantee of the state and offered an attractive coupon of 14½ per cent.

The lead manager was quoting the bonds on fees at less 2 bid, while there were other bids available at less 1.95. The pricing was described by competitors as realistic and the bonds are expected to sell steadily into the retail market.

The Swedish krona sector was tapped by Kansallis-Osake-Pankki with a SKr300m five-year unswapped deal. The bonds were quoted by the lead manager on full fees at less 1½ bid, amid retail demand.

In Switzerland, secondary trading was light, as syndicate officials concentrated on preparing for a public straight issue expected today for a supranational borrower, possibly the Inter-American Development Bank. The lead manager will be Crédit Suisse. The last public issue was at the end of June.

● In Vienna, following approval from the Ministry of Finance last week, terms were confirmed by the lead manager Creditanstalt-Bankverein on a Sch1bn six-year deal for the Bank of Foreign Economic Affairs of the USSR. The deal, to be opened for subscription on August 29, will be the first by a foreign borrower in the Austrian domestic market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
National Westminster Bk(a)‡◆	300	35bp	100	Undated	n/a	Salomon Brothers
Toyomenka Finance★★◆	50	Zero	73¼	1993	n/a	Nikko Secs. (Europe)
Toa Corporation(b)♦◆	200	3⅞	100	1993	2¼/1½	Nikko Secs. (Europe)
AUSTRALIAN DOLLARS						
Sth Australian Govt.Fin.(c)◆	75	14½	101⅝	1994	2/1¼	Hambros Bank
NEW ZEALAND DOLLARS						
Abbey Nat.Second Capital(c)◆	100	Zero	45.20	1996	1⅜/⅞	Westpac Banking Corp.
YEN						
Queensland Treasury Corp(c)◆	15bn	5.3	101⅞	1994	1⅞/1¼	IBJ Int.
SWEDISH KRONA						
Kansallis-Osake-Pankki(c)◆	300	11⅛	101⅛	1994	1⅞/1¼	Kansallis Banking Group

★★Private placement. ♦With equity warrants. ‡Variable rate notes. ◆Final terms. a) 35bp over 3-month Libor. Fall back rate: years 1-10 +80bp, thereafter +120bp. b) Coupon cut by ½% from indication. c) Non-callable.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¼ 95	600	102⅞	103⅛	-0⅛	-0½	8.69
Austria 9⅞ 93	140	101⅞	102¼	-0¼	-0¼	8.87
B.F.C.E. 7 92	150	95¼	96¼	+0¼	0	8.75
B.F.C.E. 9¼ 95	150	101⅞	102¼	-0¼	-0¼	8.78
Brit. Tel. Fin. 9¼ 98	250	103	103½	+0¼	-0⅛	8.83

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101¼	101⅛	0	0	5.12
Canada 5⅜ 93	80	101⅞	102	-0⅛	0	5.12
Eurofima 5 1995	20	99⅛	99⅞	0	+0¼	5.15
E.I.B. 4⅞ 93	30	99	99⅛	0	0	5.14
Ireland 5⅞ 93	30	99½	100	0	0	5.19

* No information available-previous day's price
† Only one market maker supplied a price

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Générale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp Investment Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Samuel Montagu & Co.; Société Générale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; Wallman Int.; S.G. Warburg Securities; Wood Gundy.

INTERNATIONAL CAPITAL MARKETS

US firms 'fairly treated by Japan'

By Janet Bush in New York

THE US Federal Reserve said yesterday that it found no discrimination against US securities houses active in the Japanese government bond market and that the four Japanese primary dealers in the Treasury bond market would be allowed to continue operating.

The Federal Reserve Board voted five to one at an open meeting yesterday to accept the conclusions of a staff report on reciprocity in government bond markets mandated by Congress under the 1988 Primary Dealers Act.

The staff report concluded US firms were given "the same competitive opportunities" in the Japanese government bond market as domestic firms.

At the same time, the report recommended that the Fed should continue to monitor the situation and take "every opportunity to urge Japan to liberalise its markets further and to improve further the openness of competition among market participants."

The Fed staff report cited recent moves by Japan to open up its bond market, including the decision last year to allow 40 per cent of each 10-year bond issue to be auctioned. The remaining 60 per cent is still allocated to an underwriting syndicate.

Mr Manoel Johnson, Fed vice chairman, voted in favour of the staff recommendations but said: "This doesn't mean that this issue is complete. We still have a ways to go towards the evolution of a more efficient international financial system."

The Board also voted to accept a staff recommendation with similar conclusions on equal opportunities for foreign companies in the British gilt-edged market.

Yesterday's decision was widely expected. The Fed, along with several US securities houses that wrote to the Board with their comments, was reluctant to jeopardise further moves to liberalise the Japanese bond market by taking retaliatory action against Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities, the four primary dealers in the Treasury bond market.

The Fed is also concerned to maintain as liquid a government bond market as possible. The Japanese securities houses are major players in the Treasury market and Japanese investors an absolutely critical source of buying for US government debt.

Mr Scott Pardee, chairman of Yamaichi International (America) Inc, made this point forcefully in his comment letter. If the Fed were to rescind Yamaichi's designation as a primary dealer under pressure from US companies, "it would force a well-capitalised underwriter of US long bonds out of the market at a time when the US needs all the help it can get to market its securities."

The Fed is also believed to have been reluctant to penalise Japanese companies for any perceived policy failure of the Japanese Government.

The Fed staff report said that the difficulty US companies have experienced in establishing themselves in Japan appeared "to reflect primarily obstacles encountered by any new entrant in a foreign market."

Among issues that remain a concern to US companies operating in the Japanese bond market is the charge that key economic information is more readily available to local firms than to foreign outfits.

In its comment letter, Morgan Stanley said: "The inherent difficulties faced by US firms in penetrating the Japanese government bond market has been exacerbated by the biased distribution of market information by the Japanese Government and Japanese government agencies."

Also cited was the unfair impact on foreign firms of various structural market deficiencies such as the lack of an active repo and reverse repo market and the burden of securities transfer taxes.

Philadelphia SE halts trading in CIPs

By Janet Bush in New York

THE PHILADELPHIA Stock Exchange has asked investors in its Cash Index Participation certificates, representing baskets of shares, to liquidate their holdings following a court decision late on Friday.

The US Court of Appeals ruled that index participation products should be regulated by the Commodity Futures Trading Commission, which regulates futures markets, rather than by the Securities and Exchange Commission, which oversees securities markets.

The Philadelphia exchange's CIPs and a similar product traded on the American Stock Exchange called Equity Index Participations were approved by the SEC on May 12 and dealings started on both exchanges on May 15 despite unresolved litigation brought by the biggest Chicago futures exchanges.

The Chicago Board of Trade and the Chicago Mercantile Exchange brought a suit, challenging the SEC's authority to regulate the instruments which, they argued, were effectively types of futures contracts rather than securities.

Index participations allow an individual investor to buy and sell a certificate that represents all the stocks in a substantial equity index such as the Standard & Poor's 500. The product was designed to open up to individual investors the practice of "indexed" or "passive investing" – already widely used by institutions – in which a portfolio simply seeks to replicate a major stock index.

The Philadelphia Stock Exchange yesterday opened CIP trading purely for liquidation of contracts. The American Stock Exchange delayed the opening and then announced that trading in its EIPs would be limited to closing trades.

Mr Nicholas Giordano, president of the Philadelphia exchange, said he was considering his response, but that Congress would ultimetely remedy the "crazy-quilt of regulation" covering derivative products.

Treasuries slide after registering early gains

By Janet Bush in New York and Stephen Fidler in London

US TREASURY bonds recovered some of the ground lost last week in very quiet morning trading yesterday, but then started slipping back in advance of a heavy schedule of new issues this week.

In morning trading, the Treasury's benchmark long bond had stood ½ point higher,

GOVERNMENT BONDS

but prices started edging lower along the length of the yield curve at midsession. The long bond eased back to stand ⅜ point higher for a yield of 8.12 per cent, while some short-dated issues started registering some losses.

With many traders away on holiday, activity was light.

The modest rise in bond prices yesterday morning appeared mostly due to short-covering after the significant price falls seen in the latter half of last week. There were reports of some buying of US bonds in overseas markets, encouraged by a firm performance by the dollar abroad. In New York trading, the US currency slid back.

Tbe major coocern of the market this week is the supply slated for the first four days of this week. There is little economic news due, with only July durable goods orders expected today. The size of all this week's sales has been increased as the Treasury continues to raise funds to finance the bail-out of the thrift industry.

The Treasnry has been authorised by Congress to raise $20bn by September 20 and this is being done through cash management bills and increased auctions.

Yesterday, the Treasury sold $14.4bn in three-month and six-month bills, an increase of $1.2bn oo tbe normal size. Today, $9.5bn of two-year notes will be sold, with $7.75bn of five-yeer notes following tomorrow and $9.25bn in one-year bills on Thursday.

The other big market concern this week is the meeting of the Federal Open Market Committee starting today. There is a broad consensus, after a recent spate of economic figures showing stronger-than-expected growth, that the FOMC will leave monetary policy unchanged, witb Fed Funds continuing to be targeted at 9 per cent to 9¼ per cent.

Yesterdey, tbe Fed announced three-day matched sales to drain liquidity from the market, consistent with an unchanged policy.

■UK GOVERNMENT bonds closed np to ¼ point higher in an extremely subdued market ahead of the expected release tomorrow of UK trade figures for July. Gains were most marked in issues betweeo five and 10 years, with some buying reported from a domestic UK institution.

■AFTER FRIDAY'S dramatic fall in prices, where bunds lost ½ point amid e day of record trading of almost 40,000 contracts on tbe Londoo Internationel Fioancial Futures Exchange, tbe West German goveroment bond merket ended the day a touch above Friday's close.

After weakening by up to 10 basis points at the day's fixings, prices recovered later, based on the strength of the US market and a slightly easier dollar. Money supply figures for July are due to be released today.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-15	+2/32	10.60	10.68	10.81
		8.750	1/96	98-27	+4/32	9.95	9.99	10.21
		9.000	10/08	98-23	+1/32	9.14	9.14	9.33
US TREASURY *		8.125	5/99	106.3438	+12/32	8.18	8.16	8.06
		8.875	2/18	107.8125	+20/32	8.17	8.18	8.15
JAPAN	No 111	4.800	6/98	97.3703	-0.066	5.03	5.11	5.19
	No 2	5.700	3/07	106.6304	-0.101	4.87	5.00	5.02
GERMANY		7.000	2/99	101.6500	+0.050	6.75	6.67	6.67
FRANCE	BTAN	8.000	1/94	97.8217	+0.001	8.65	8.53	8.77
	OAT	8.125	5/99	97.9200	+0.030	8.43	8.33	8.52
CANADA *		10.250	12/98	104.9250	-0.025	9.44	9.43	9.36
NETHERLANDS		7.000	3/99	99.3600	-0.020	7.09	8.98	7.08
AUSTRALIA		12.000	7/99	94.5387	+0.106	12.99	12.99	13.49

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

CSFB paper tackles new-issue problems

By Andrew Freeman

CREDIT SUISSE First Boston (CSFB), one of the leading underwriting houses oo the Eurobond market, yesterday released a discussion paper addressing the vexed subject of new-issue procedures on the international bond market.

In what is seen partly as a response to last week's novel syndication procedure on a $500m deal for New Zealand by CSFB's rival Morgan Stanley, the paper sets ont Credit Suisse's views on problems in the new-issne market which have radically rednced the profitability of the underwriting banks.

Mr Hans-Jörg Rudloff, chairman of CSFB in London, said the paper was intended to indicate the direction the bank would be taking. "We remain totally committed to the primary market. The discussion paper does not pre-judge other ideas, but it does say we cannot put the clock back," he said.

At the same time, CSFB announced a reorganisation of its syndicate department. From September 5, the bank will begin making markets in its own new issues as well those brought by other banks. The move is designed to reduce the reliance of investors on the independent brokers that currently dominate trading of new Eurobond issues by encouraging wider grey market trading of deals.

A CSFB official said the bank would also increase its operating capital from £65m in London to more than £100m, subject to Bank of England approval.

The document stresses that the primary market for Eurobonds has lagged behind developments on the secondary market, where technological progress has forced transparent price information and encouraged greater liquidity.

CSFB proposes six measures which it says would encourage banks to introdnce greater transparency to the primary market:

- A shorter primary market period, possibly of seven days, to allow secondary trading to begin as early as possible.
- Higher standards of disclosure. Lead managers should give the market more information, indicating when their issues will not be widely distributed so investors are not misled. If distribution has not been completed by the completion date, the bookrunner should be obliged to make a statement to that effect.
- Greater flexibility on commissions and pricing. CSFB argues that any return to a system that seeks an assured underwriting return is unrealistic. Commissions could be arranged on a spread basis depending on the nature of the offering and its inherent risk. A spread of ¼ per cent for a five-year offering for liquid obligations of highly-rated sovereign credits would be reasonable. CSFB says the greatest threat to the free market and its price-setting mechanism is the practice of subsidising individual transactions.
- Refinement of syndication procedures. Participants in an issue should be on an equal footing. Practices that result in an inequitable sharing of revenues and expenses should be abolished. Advantages such as pre-placement by the lead manager should be prohibited or at least disclosed to the syndicate. CSFB says it may adopt new syndication measures to encourage discipline and co-operation. It says it intends to strengthen the contractual language in underwriting agreements.
- Eliminate artificial prices. Securities should trade at their genuine free market levels as soon as possible.
- Standardise documentation. Frequent issuers should be encouraged to issue standard documents to avoid unneccessary expense and time-wasting.

The discossion paper was sent out to a range of industry participants, including borrowers, too late yesterday for any detailed reaction from competitor banks. However, initial comments indicated that rival banks were prepared to read the paper with interest.

However, the peper was greeted with scepticism by some participants, who said they had little reason to trust CSFB and were cynical about its motives.

One syndicate manager said that although the primary market might not be transparent to end investors, it was liquid and efficient between professionals. The main problem, he said, remained over-capacity.

Swiss banks' 1988 results hit by Crash

By John Wicks in Zurich

SWISS BANKS' earnings were noticeably affected last year by the results of the stock market crash, according to a report issued by the country's national bank.

While this already showed np in annual reports for 1987, the report says the negative effect was much more in evidence in 1988 figures.

In a review of Switzerland's 628 banks and finance companies, the monetary authority shows that combined gross profits rose by only 2.7 per cent last year, compared with growth rates of 6.5 per cent in 1987 and 11.3 per cent for the previous year.

This was due in part to a 9.3 per cent decline in net commission income, which had risen by 9.2 per cent in 1987 and by as much as 16.7 per cent in 1986; and a further 4.9 per cent fall in income from letters of credit and money market paper.

Gross earnings from foreign exchange and precious metals trading rose by only 2.9 per cent.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No. (Mon Aug 21 1989)	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Aug 18 Index No.	Thu Aug 17 Index No.	Wed Aug 16 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (207)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (56)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (184)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (93)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (484)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (122)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (69)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (1)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (700)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX♦	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Mon Aug 21	Day's change %	Fri Aug 18	xd adj. today	xd adj. 1989 to date
British Government 1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked 6 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS		Mon Aug 21	Fri Aug 18	Year ago (approx.)
British Government				
1 Low coupons	5 years	[illegible]	[illegible]	[illegible]
2	15 years	[illegible]	[illegible]	[illegible]
3	25 years	[illegible]	[illegible]	[illegible]
4 Medium coupons	5 years	[illegible]	[illegible]	[illegible]
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
Index-Linked 11 Inflation rate 5%	5yrs.	[illegible]	[illegible]	[illegible]
12 Inflation rate 5%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
13 Inflation rate 10%	5yrs.	[illegible]	[illegible]	[illegible]
14 Inflation rate 10%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
15 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16	15 years	[illegible]	[illegible]	[illegible]
17	25 years	[illegible]	[illegible]	[illegible]
18 Preference		[illegible]	[illegible]	[illegible]

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	84	0	21
Corporations, Dominion and Foreign Bonds	11	0	33
Industrials	316	365	888
Financial and Properties	132	133	403
Oils	13	25	54
Plantations	2	2	7
Mines	35	44	96
Others	77	72	133
Totals	670	641	1,635

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§75	F.P.	-	92	75	‡Alpha Estates 5p	88		u2.81	1.9	4.3	16.6
33	F.P.	11/8	42	35	‡Ambassador Sec. Grp. 5p	39		-	-	-	9.5
57	F.P.	-	66½	61	Babcock Intl. Group 10p	65½	-1	u3.0	1.7	6.1	11.3
§100	F.P.	-	126	108	‡Barmore Intl. 10p	115		u5.2	1.9	6.0	11.1
§135	F.P.	-	156	145	‡Danbury Group 10p	148		L5.06	2.0	4.6	8.8
85	F.P.	-	96	84	‡Diamond Group Hldgs 5p	91		L1.13	4.7	1.6	17.3
§62	F.P.	-	70	62	‡Forwell Group 10p	67	-1	L1.8	3.0	3.6	12.3
-	F.P.	-	60	53	Hanson Warrants	54		-	-	-	-
§135	F.P.	-	198	135	‡Le Creuset FF0.35	180		R049.5	2.8	2.5	15.2
□	F.P.	-	450	425	Leveraged Opportunity Tst.	447	-3	-	-	-	-
‡	F.P.	-	76	76	Murray Enterprise	76		-	-	-	-
500	F.P.	-	513	500	Nth. American Gas Inv Tst.	502	-1	K3.75	-	10.0	-
50	F.P.	-	51	45	Pacific Prop. Inv. Tst 10p	46		-	-	-	-
-	F.P.	-	21	17	Do. Warrants	20		-	-	-	-
§105	F.P.	-	112	110	‡Polar Electronics 10p	110		R4.5	2.7	5.5	9.2
†	F.P.	-	380	340	Presidio Oil "A" 10c	380	+10	Q2.5c	-	0.4	-
§100	F.P.	-	122	100	Radiotrust	122		-	-	-	-
105	F.P.	11/8	71	55	Richmond Oil & Gas 10p	66		-	-	-	-
105	F.P.	-	122	111	‡Smith (James) Estates	122		u3.0	0.9	3.3	36.1
-	F.P.	-	599	527	SmithKline Beecham "A"	577	-7½	W-	-	-	21.0
-	F.P.	-	2788	2450	Do. Beecham/Beckman Uts	2663	-32	W-	-	-	19.4
-	F.P.	10/7	186	63	WPP Warrants	158		-	-	-	-
§109	F.P.	-	118	115	‡Westminster Scaffold.10p	116		R5.0	1.6	5.7	13.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

TRADING DRIFTED into mid-August doldrums. One exasperated dealer said it was the quietest day of the year. A dismal total of 18,136 contacts changed hends, around helf the typical daily average.

Much of the turnover was in short-term options, becauee of the lack of liquidity on contracts due to expire next year.

The excitement in the underlying market among pharmaceuticals stocks – generated by e $750m bid by e Japanese company for an American one, and the spillover from Friday's good news on the effectiveness of Wellcome's anti-Aids drug – found little perellel emong treded options. Wellcome screped into the top eight in the last hours of trading and dealers blemed the thin trade in underlying equities.

Several big names jostled for position at the top of the day's list of actives. The eventual winner was Asda, which clocked up e meagre 857 contracts traded, 746 of them calls. The busiest individual series was November 200 calls, where 238 contracte changed hands.

British Gas, which had led earlier in the day, came in second with 764 contracts traded, of which 564 were calls. December 200 calls were popular, with 255 contracts changing hands.

Dixon's was notable in that the volums turned ovor in traded optione wee more then double that in the underlying equity. Less that 250,000 eheres changed hande, compared with 584 options contacts, elmost ell calls.

Exactly the seme number of British Telecom Februery 260 and Mey 260 put options were traded, suggesting e calendar spread had been set up. Some 661 telecom options were ireded eltogether, eli but 37 of them puts.

Interest in FTSE contracts was only marginally stimulated by the issue, from Mitsubishi Finance International, of £50m worth of two-yeer et-the-money put options. The strike price was sel at 2,378.4, the value of the index at 3pm. Observers said that most, if not all, of the hedging for the issue had been done in advance. A total of 5,931 FTSE options were traded, of which 2,429 were calle and 3,502 were puts.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allid Lyons (*544)	500	62	78	95	7½	17	20
	550	20	46	63	28	36	39
Brit. Airways (*197)	180	22	27	35	2	4	7
	200	10	15	22	8	12	16
	220	3½	8	14	25	26	26
Brit. Com (*184)	160	33	40	43	2	9	11
	180	17	26	32	10	16	18
	200	9	15	22	22	27	28
Storehouse (*137)	130	14	19	23	5	7	9
	140	7	15	17	9	11	15
Trafalgar (*419)	377	53	60	-	4	5	-
	390	-	-	59	-	-	16
	420	22	29	42	16	23	27
Utd. Biscuits (*395)	360	49	58	70	6½	11	14
	390	30	42	51	15	23	26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Sep	Calls Nov	Calls Jan	Puts Sep	Puts Nov	Puts Jan
Abbey Nat. (*149)	140	12	16	20	1½	2½	3
	160	2	5½	8½	11	11	12
ASDA Grp. (*198)	180	22	30	36	3	5	7
	200	9	16	22	8	12	13

Option		Calls Sep	Calls Nov	Puts Sep	Puts Nov
Gateway (*239)	220	15	13	-	1
	240	1	1	-	-

[illegible]

TRADITIONAL OPTIONS

- First Dealings Aug 21
- Last Dealings Sep 8
- Last Declarations Nov 23
- For settlement Dec 4

Calls in Ferranti, Wellcome, Rolls-Royce, Tullow, Yale & Valor, Dunton, Premier, Far East Res, Conroy Pet, Parkfield, Bodyspace, Boots, Williams (Rex), Allied Colloids, Wm Low. Puts Eurotunnel Warrants

For rate indications see end of London Share Service

UK COMPANY NEWS

BAT signals its hostility in counter-attack

Nikki Tait scrutinises the various planks in the conglomerate's defence platform

THE CONTRAST was marked. Three weeks ago Sir James Goldsmith presented the Hoylake case with the air of a flamboyant and slightly mischievous university lecturer, whereas Mr Patrick Sheehy's delivery on the defence side yesterday was a model of conventional respectability.

Only the strains of "Money, money, money" playing while early arrivals perused the defence document, followed by some reworded Beatles music as BAT's chairman approached the lectern, added a slightly unorthodox touch to the proceedings.

The defence document itself, however, does bear some parallels in structure to Hoylake's offer document.

It starts with Mr Sheehy's letter to shareholders, explaining BAT's objectives. It then passes on to the overall record of the group, essentially countering Hoylake's attack on the group's rating by stressing the return which shareholders have enjoyed.

Next, *à la* Hoylake, it looks at the four arms of the business separately, offering a stout defence of the performance in these sectors and some words on their future prospects.

Finally, just for good measure, it delivers a five-page attack on the Hoylake offer itself, concluding that BAT shareholders would "take a big risk", while the Hoylake consortium is set to "take a big reward.

● The main thrust of Mr Sheehy's initial letter is that BAT set itself a strategy in the early-1980s of, first, providing shareholders with above-average dividend increases and, secondly, of giving them a growth investment.

Both aims, says Mr Sheehy, have been met. Dividends per share have increased at an overall rate of nearly 20 per cent a year since 1980, while the total rate of return from the end of 1980 to June 7 1989 (the day before Hoylake started buying shares) has been 38 per cent a year.

Mr Sheehy maintains that the strategy has been to achieve this by investment in businesses with growth potential, market leadership (or the potential to achieve it), and above-average return on assets, and in areas where "we could use our expertise to the full".

In passing, Mr Sheehy does note the "valuation" problem which has beset BAT. "We have, of course, been concerned for some time about the value of your shares on the stockmarket compared with the underlying value of the businesses," he writes.

"We have never taken a short-term view of the group, but we appreciate that planning for the future remains a problem while this gap in value remains. We have, for some time, been considering ways in which this gap can be eliminated: clearly this task is now more urgent."

However, he then speeds on to attack the current Hoylake offer, saying it "is designed to do nothing more than break up a successful company for the personal gain of a group of extremely wealthy people".

● The shareholder returns: this point is elaborated by taking — assuming gross dividends are reinvested — BAT's total return figure between end-1980 and June 7 1989 and comparing it with the top 10 UK companies by market capitalisation.

BAT comes out in first place, followed by Hanson and BTR — a set of figures already released by the group in the run-up to the document itself. Turning this into more accessible language, BAT points out that £100 would have grown to £1,547 over the same period.

It goes on to illustrate the share performance relative to the FT-A All Share Index, but — unlike Hoylake — takes a 1980 starting date. It also points to a geographic repositioning of profits — with the UK/Europe/US now accounting for 84 per cent compared with 64 per cent in 1980. And it says that industrial repositioning has reduced tobacco to only 40 per cent of the total.

It also produces its own pre-tax profits graph — again pushing the starting date back to 1980. This is in sharp contrast to Hoylake, which achieved a rather different picture by picking 1983 as a starting date and excluding the most recently-acquired financial services area.

● The four businesses: on the tobacco side, BAT says that its market share in the US has now stabilised, and that it has taken advantage of the opening of Far Eastern markets. It maintains that, during the 1980s, it has been among the most innovative of the major manufacturers and adds that over £1.1bn has been invested in capital equipment since 1980.

In financial services, BAT claims that Eagle Star's growth rate in general insurance premiums has doubled to 18 per cent per annum, while the growth in life premiums has reached a similar figure. It claims that there has been increased investment in people, as well as new information systems installed. At Allied Dunbar, BAT points to the expansion of the sales force from 3,000 to 5,300.

On the retailing side, much is made of the Argos record over the past eight years. However, BAT also claims credit for the investment made in Saks Fifth Avenue and the benefits of reorganisation at Marshall Field's.

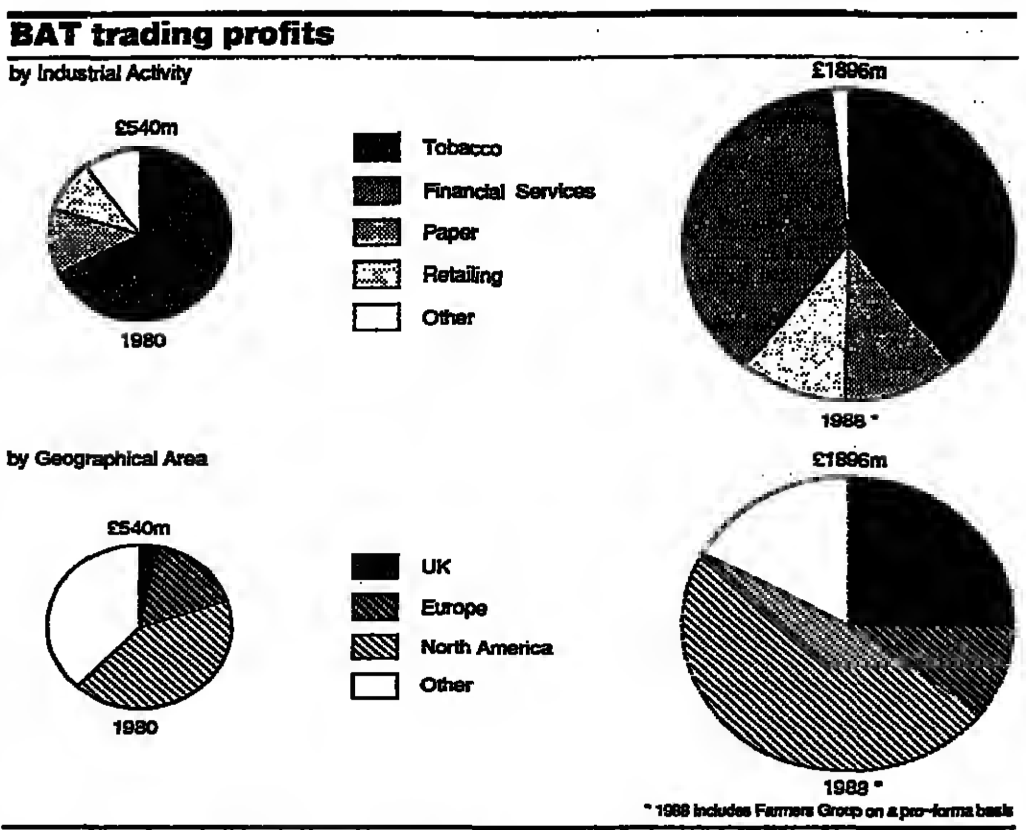
Finally, in its pulp and paper operations, BAT claims that its companies have generated compound growth in trading profits of 17 per cent per annum since 1980.

For the future, BAT says there are still "great opportunities" in the Far East and Europe on the tobacco side; possibilities for distribution improvements through link-ups with other financial institutions on the insurance front, plus developments in product innovation

● Turning the attack on Hoylake, BAT points out that the bidder's loan notes, part of its all-paper consideration, are unquoted and "particularly unsuitable for private investors as they could find it extremely difficult to realise their holdings".

It says that the proposed agreement with the Hoylake minority — essentially the Goldsmith consortium — would make it "very difficult for Anglo [in which BAT shareholders would have the majority of the shares] to change the board of Hoylake, most of who are representatives of Goldsmith. [It is Hoylake which would end up owning 100 per cent of BAT].

"The notion that existing BAT shareholders would control Anglo and thereby continue to control BAT is a myth. The truth is that Goldsmith and his friends would effectively have complete control over BAT," says the document.



First-half 20% rise to £811m exceeds all City expectations

By Ray Bashford

BAT INDUSTRIES, the tobacco-based multinational, has exceeded City forecasts with a 20 per cent increase in pre-tax profits from £677m to £811m for the six months to June 30.

Mr Patrick Sheehy yesterday brought forward the announcement of the results to make them part of the company's defence against the Hoylake takeover bid.

"Given the criticisms levelled at our diversification strategy in the recent unwelcome Hoylake offer, these results demonstrate as powerful a justification of that strategy as any words from me," Mr Sheehy said.

City analysts, who had prepared their forecasts since the bid was unveiled last month, were expecting pre-tax profits of about £750m and yesterday were making higher revised forecasts for the full year. BAT shares moved against the general tone of the market to close 30p higher at 833p.

The pre-tax profit was returned on a 23 per cent advance in turnover to £10bn. Earnings per share were 22 per cent higher at 32.07p.

The company's four major operating divisions — tobacco, financial services, retailing and paper — returned higher contributions to the group performance with financial services undergoing the most rapid growth.

BAT, which generates 45 per cent of its sales in North America, also benefited from favourable currency fluctuations.

One analyst estimated that movements of the dollar against sterling in the six months made a £40m contribution to the pre-tax result despite negative movements among some South American currencies.

Directors declared an interim dividend of 9.3p (7.6p) a share. This represents a modest increase for a company facing a takeover threat.

The tobacco division retained its leadership in terms of trading profits with a 12 per cent growth to £404m. The operations in the Far East and Africa helped offset problems in the US which were most acute in the first three months of the half.

Brown & Williamson, BAT's US tobacco subsidiary, made a reduced contribution to the group result following a fall in market share and heavy marketing expenditure earlier in the year.

Financial services, which has been the focus for most of BAT's investment during the past decade, was the outstanding performer in terms of sheer growth in trading profits.

Mr Sheehy said that profits from the division advanced 80 per cent from £220m to £288m while funds managed by subsidiaries at June 30 were £25bn.

Farmers, the US insurance company acquired last year in a $5.2bn contested takeover, made a maiden £132m contribution to trading profits. The chairman stressed that Farmers had not diluted the result at the pre-tax level and that it would enhance the group result next year, in line with forecasts.

Trading profits from the Eagle Star insurance subsidiary firmed 18 per cent to £179m while general business premiums were 11 per cent higher at £929m, following rises in personal and commercial lines.

Allied Dunbar's total new business was 6 per cent higher in the wake of a very strong advance in the first half of 1988. The group pushed £50m in the group's trading profit figure, up 22 per cent.

The paper division, which has come under strong criticism since the Hoylake offer for its weak performance in recent years, lifted trading profits a meagre 3 per cent to £114m in the six months.

The Wiggins Teape subsidiary recorded an unspecified decline in trading profits as a result of a squeeze on margins caused by excess capacity and higher pulp prices.

Appleton Papers maintained its leadership in the US carbonless paper market and directors reported a "strong" increase in both turnover and trading profit.

Retailing — carried out in the US principally through Saks Fifth Avenue and the Marshall Field's, in the UK through Argos and West Germany through Horten — raised profits 18 per cent to £30m.

Argos' turnover rose by 15 per cent and trading profits reached a record level.

See Lex

VG Instruments recovers to £7.07m

By Ray Bashford

VG INSTRUMENTS, the scientific instrument maker which is 69 per cent controlled by BAT Industries, staged an earnings recovery during the six months to June 30 following a group reorganisation.

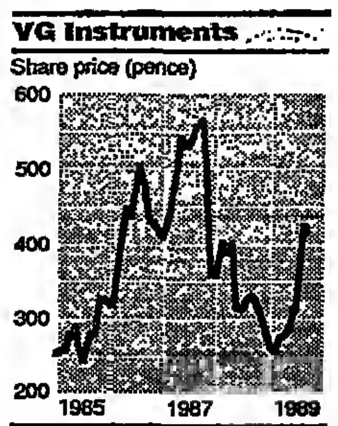
The company boosted pre-tax profits £987,000 to £7.07m as turnover increased to £68.3m (£55.9m). Earnings rose to 8.75p (7.5p) and the interim dividend is increased to 2.2p (1.9p).

Mr Bernard Eastwell, chairman, said that the improvement reflected the benefits from changes in administration and management, particularly in the US and the UK, which were implemented in the wake of poor results last year.

Returns from a strong international order book, which was built up in 1988, began to flow into the accounts while currency movements favoured the company, which derives about four-fifths of its sales from overseas.

Last year the company reported a 14 per cent decline in pre-tax profits to £19.97m despite a 30 per cent growth in turnover to £133.64m. This was due to the relative strength of sterling, especially against the dollar, and a shortfall in orders which left exposed overhead costs.

Orders taken in the first six months totalled £75.3m (£51.1m). Of this £12.5m came from growth, the rest resulting from the consolidation of Kevex, the US company acquired in March last year for $65m.



● **COMMENT**

The arrival of Hoylake's mammoth bid for BAT has thrown VG's future into considerable doubt. If Hoylake wins, it would rank as one of the first companies to be 'unbundled'. If BAT remains independent, a more critical investment policy would follow and VG Instruments, where BAT does not even have board representation, could be seen as non-core and therefore expendable. The company is seen as the most attractive of the four international instrument groups up for sale on the international market at the moment and several overseas groups could be likely buyers. During the coming months of uncertainty VG Instruments seems certain to continue the recovery phase and return to the pre-profits level of about £23m

Priest Marians warns of loss in second half

By Paul Cheeseright, Property Correspondent

PRIEST MARIANS Holdings, the property company, will report a pre-tax loss in its second half and will not pay a dividend for the 1988-89 financial year.

The company has run into cashflow problems caused mainly by an aggressive acquisitions policy which has led to what has now become expensive borrowing. But the underlying health of the company does not appear to be in doubt.

Disclosure of the problems led the share price, recently buoyed by bid speculation, to close at 50p, down 30p on the day. At one stage it had been 42p lower.

The price, however, is still influenced by the possibility that Mr Simon Fussell, ousted as chairman at the beginning of the month, might sell his 24.8 per cent stake to a potential predator. He has made no decision and Mr Daniel Auerbach, the new chairman, wants Mr Fussell to allow the new board to help with the placement of the stake among institutions.

Priest Marians is in difficulty because of three factors, all connected with the £111m takeover earlier this year of Local London Group, another property company best known for its business centres.

The calculation of Local London's debt from published sources was underestimated by £10m and the provision for tax payments relating to the sale of Local London properties was £11m too low. These resulted in Priest Marians having to find an unexpected £21m.

Finally as part of the rearrangement of its borrowing to buy Local London, Priest Marians arranged a £72m loan facility with Samuel Montagu and Sumitomo Bank, repayable in four tranches, three of £20m and one of £12m, at six monthly intervals over two years.

It was obtained at 2.5 percentage points above the one month London interbank offered rate. When the commitment was made last February one month Libor was 12.9 per cent. Now it is 13.875 per cent and Priest is paying interest at more than 16 per cent to finance an acquisition which many analysts, at the time, thought was expensive.

The plan was to sell Local London properties, pay back the loan facility and be left with a profit.

Although the first tranche of loan repayment has been made and provision has been made for the repayment of a second tranche next February, the higher costs have been cutting into cashflow, aggravating the situation made difficult because of the Local London takeover miscalculations.

The value of the property Priest Marians holds has increased and the company is sitting on a revaluation surplus. But this cannot be distributed, so shareholders will have to foresake their 1988-89 dividend.

MTS postpones vote on Alpha takeover

By John Ridding

MEAT TRADE Suppliers, the troubled sausage casing company which is currently facing a battle for control, has postponed a vote on whether to accept a recommended reverse takeover by Alpha Gamma, a property developer.

At yesterday's EGM, shareholders voted to adjourn the meeting until September 22 in order that the terms of the acquisition of Alpha Gamma might be revised.

Under the terms of the offer, Alpha Gamma would pay 338p for two of every five MTS shares, valuing the latter at £8.8m. In turn, MTS would buy Alpha Gamma for £12.3m, largely in shares.

The offer was recommended earlier this month, but MTS indicated at the time that it may be open to a higher bid.

Alpha Gamma had itself suggested the proposed adjournment because "it had become apparent that certain shareholders . . . had indicated that they would prefer to see an improvement in the terms of the proposed transaction in favour of MTS."

The adjournment also seems intended to force a rival company to show its hand. Twigrealm, headed by Mr Freddy Hirsch, a South African butchers' supplier, and Mr Stephen Wingate, a UK property developer, now holds an option over 24.45 per cent of MTS' shares.

It is believed to have the backing of Mr William Anstis, the former chairman of MTS who was ousted by his daughter, the current chairman.

So far, no proposal has been forthcoming from Twigrealm.

City senses a Boots victory

The £900m Boots bid for Ward White is set to close at 1pm today with most stock market observers expecting a Boots victory, writes Philip Coggan.

Ward White's shares closed yesterday at 444p, 1p below the Boots offer.

Boots has acquired 29.9 per cent of Ward White's ordinary shares and has continued to purchase the group's convertible preference shares, increasing its stake yesterday to around 36 per cent.

Ward White directors continue to reject the Boots offer, but their hopes of a successful defence dwindled after they were forced to abandon plans for a rival leveraged buy-out offer.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Barlo Group ....fin	0.125♣	-	-	1.375	-
BAT Industries ....int	9.3‡	Nov 21	7.6	-	20.1
EBC Group ....int	3.5†	-	2.7*	-	6.75*
Evans Halshaw ....int	3.6	Oct 5	3	-	10
Ibex Holdings § ....int	1.9	Nov 14	-	-	-
Palma Group ....int	1.2	Jan 1	1.2	-	3.7
Resort Hotels § ....fin	0.35	Oct 9	-	0.55	-
Richard W'garth ....int	1†	-	0.8	-	2
Sheldon Jones § ....fin	3.3	-	3.3	4.65	4.65
Tibbett Britten ....int	2.4†	Oct 6	1.9	-	6
VG Instruments ....int	2.2	-	1.9	-	5.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Carries scrip option. ♣Irish currency.

Hungarian joint venture for Telfos

By Ray Bashford

THE SPIRIT of economic liberalism which is growing in Hungary has fostered a joint venture between Telfos, the engineering and investment group, and one of the country's state-owned manufacturing enterprises.

Under the terms of the agreement signed yesterday in Budapest, Telfos has taken a 51 per cent stake in Ganz-Hunslet, which has taken over all the activities and some of the assets of Ganz Railway Engineering, the country's national manufacturer of railway locomotives and rolling stock.

This is believed to be the first time a western company has taken a majority stake in a Hungarian company. The deal has grown out of increased western interest in the country as a home for investment through joint ventures.

The former owners, consisting of several state-owned institutions, have contributed the business of Ganz and a "considerable" part of its assets in exchange for the remaining 49 per cent stake.

Telfos will contribute a package valued at £12m, comprising a cash injection of £2m, management expertise from its existing railway manufacturing activities in the UK, the transfer of modern technology and manufacturing processes, marketing and access to UK and Western markets.

The investment is also seen as staging post for expansion into the markets of other eastern bloc countries with the Soviet Union being of most interest.

There are plans to reorganise Ganz to boost efficiency and increase competitiveness within world markets.

Boustead shares rise as 21.7% stake changes hands

By Clare Pearson

MORE THAN 20 per cent of the shares in Boustead, the international and industrial trading group, have changed hands.

The new holders are HTP Holdings, with 8m shares, and Jack Chia, with 6.2m.

Both are controlled by Jack Chia Holdings (Hong Kong), a property and hotels group.

The 21.7 per cent stake was bought from IHD Holdings, which is controlled by Mr Ch'ng Poh, a Boustead director.

Boustead's shares yesterday rose 4p to 70p.

This matched the level at which, according to a news service report, the shares changed hands.

Boustead directors could not be contacted yesterday.

According to Schroders, the company's financial adviser, a meeting was to be held in London with Mr Jack Chia later this month.

According to the news report from Singapore, the two new holders said the purchase was intended as a long-term investment.

This strategy was determined by the compatibility between the activities of Boustead and those of the Jack Chia group.

The report also said the Jack Chia group would seek representation on Boustead's board.

New management headed by Mr Michael Nuakes, introduced at Boustead two years ago, is credited with revitalising the group.

In 1988, it made pre-tax profits of £3.88m (£2.02m) on turnover of £64.30m (£39.45m). Last year the holding in its Singapore subsidiary was increased from 55 to 64 per cent.

UK COMPANY NEWS

Painting a rosy independent future

Hugo Dixon considers Plessey's strategy in its defence document

"THIS IS not a vote for the status quo," said Mr Stephen Walls, managing director of Plessey, as he launched the electronics company's defence document in response to the £2bn hostile bid from the General Electric Company and Siemens of West Germany.

The claim that there is something radically different about the 'new Plessey' is at the heart of the company's contention that it deserves to retain its independence.

Mr Walls yesterday painted an exciting picture of Plessey's future if it could fight off the Anglo-German consortium. The company would continue its push into high-growth areas such as computer and telecommunications services, evidenced by the acquisition last year of Hoskyns.

And it would use the technology it originally developed for military purposes for new civilian markets. Mr Walls mentioned in-flight entertainment systems, automotive electronics and personal communications networks as examples. "Some of the markets don't exist at the moment, which is real fun," he said.

He admitted that Plessey had not been good at exploiting these opportunities in the past. But, there was "new management, new thinking and a determination to exploit these areas".

Much of the defence document consists of elaborate arguments designed to show that the 270p-a-share offer undervalues Plessey. The company uses three arguments to prove the point.

It compares 270p with the share prices of its major competitors – Ferranti, GEC and STC. If the same price-earnings ratios were used for Plessey as is implied in these valuations, Plessey shares would be between 249p and 272p.

Thus there would be little or no bid premium and the downside for shareholders in rejecting the offer was limited. The fact that the price fell to 227p last month when it appeared that GEC/Siemens might pull out was dismissed by Plessey on the grounds that the circumstances were ones of "considerable uncertainty and speculation".

Plessey also argues that since its half-share in GPT, its telecoms joint venture with GEC, is worth £825m and its share of Hoskyns is worth £200m, the remaining parts of its business are being valued on a price-earnings ratio of only 12.5. This Plessey calls a bid discount.

The £825m figure for GPT is based on negotiations last month under which GEC would have bought the stake. However, the fine print of the defence document reveals that Plessey would also have paid GEC £25m in return to settle claims arising from the formation of the joint venture.

The valuation of the Hoskyns' stake is arrived at by taking its stock market value of £140m and adding in a control premium of £60m.

If the GPT stake had been valued at £800m and Hoskyns at £140m, the price-earnings ratio of Plessey's remaining businesses implied in the offer would be 13.6. Some would contend this was a fair multiple, given that GPT and Hoskyns are some of the most exciting businesses in the Plessey group, but Mr Walls said: "There are a lot of juicy bits left behind."

Finally Plessey argues that the value of the offer has declined relative to the way other electronics companies share prices have moved since GEC/Siemens first launched their bid last November. If the original offer of 225p had gone in line with the FTSE 100 index, it would now be at 294p.

The Anglo-German consortium's counter-argument is that Plessey's share price was 167p before bid speculation prior to the announcement of the original offer.

But, even if 270p does not involve much of a premium, the arguments are merely theoretical unless Plessey can extract more.

GEC/Siemens have said their offer is final and will not be increased under any circumstances. And, because of GEC's pre-emptive rights over the GPT joint venture, there is almost no chance of an alternative bidder.

Mr Walls has given up the hope of white knights or other structural manoeuvres saving the company in the 2¼ weeks before the offer's first closing date. His strategy is to convince shareholders that Plessey has a rosy future.

Part of this is to stress that the company has changed. GEC/Siemens have contended that the new Plessey is fundamentally the same as the old Plessey.

Another element is to argue that GEC/Siemens could, under takeover regulations, come back with a higher offer in twelve months' time or, if it was on an agreed basis, after three months.

Plessey's preferred solution – if it was able to ward off the consortium – would be to negotiate the sale of its half-share in GPT. If the outlines of the previous negotiations were followed, this would also also include buying back GEC/Siemens' 30 per cent stake in Plessey at a price slightly higher than it was acquired.

And Mr Walls says Plessey would be pro-active in restructuring the UK electronics industry further. "There are opportunities for restructuring that can create a strong second pillar in the UK electronics industry."

He points out that Thorn EMI and Racal Electronics are trying to sell their defence electronics interests as an indication that there is ferment in the industry. But he is coy about spelling out how Plessey would attempt to restructure it in practice.

The only definite step Plessey has taken in this direction has been to acquire a 2.2 per cent stake in Ferranti. However, this move did not find favour in the City when it was revealed last week because any merger between the two companies would increase Plessey's dependence on shrinking defence markets.

It would seem the company has to reveal more enticing plans if it is to stand up its claim to be born again.

BID PREMIUM – Comparisons with other electronics majors

	Ferranti	GEC	STC
Historical earnings multiple	15.5	14.6	14.2
Plessey share price if such multiples were applied to its 1988/89 earnings	272.0	257.0	249.0
Premium/(discount) to these implied prices of the 270p bid	(0.7%)	5.1%	8.4%

Goldberg attacks Blacks record

By Nikki Tait

A GOLDBERG, the Glasgow-based fashion retailer which is facing an all-share bid from Blacks Leisure, has launched a fierce attack on the quality of its predator's paper and questioned its directors retail experience.

Goldberg claimed that "Blacks' recent record reveals that it is a group devoid of growth characteristics, despite acquisitions". It points to progressively declining profits in the last two six-monthly periods, and says that this is despite exceptional asset disposals and the contribution from West 8 Sports.

It also points to the drop in the Blacks' share price, which, it says, has "collapsed by 82 per cent" from its high in July 1987. It notes that the number of shares in issue has increased from 55.6m in October 1986, to 356.8m today.

A shareholder in either Miss Sam or Gee/Rosen – the two quoted companies acquired by Blacks – would have seen a £1,000 investment ahead of the change in ownership fall to £405 or £386 respectively, as a result of accepting and retaining Blacks shares, says tha defending group.

Goldberg also points to the boardroom changes at Blacks, raising questions over the extent to which current directors are experienced in the fashion retailing business.

Goldberg goes on to point to its own asset strength, saying "Blacks needs your company's assets and is offering you shares of uncertain value in return". It says new product ranges are now arriving in stores, and that it plans to open "in" stores – with a new retailing format – in London and Glasgow in October and November. It also promises a new credit launch pre-Christmas, and says it has retained Richard Ellis, the surveyors, to help in maximising the potential of its two major sites.

Blacks, however, hit back with a further document to shareholders – again querying the extent of Goldberg's losses so far this year, and claiming that "Goldberg has offered no plausible solution only a series of excuses" for the current trading position. It also argues that the asset position is being eroded by the continuing losses.

Yesterday, Mr Simon Bentley, Black's chief executive, said that the company was working on the assumption that Goldberg would have had to quantify the losses if they were sufficiently material, and on that basis would pursue the bid. There has been some speculation that Blacks might seek to pull out in the wake of Goldberg's profit warning.

Thames TV negotiating $100m buy

By John Ridding

THAMES TELEVISION, the largest ITV contractor, has confirmed that it is holding talks concerning the possible acquisition of Reeves Communications, the US television production and distribution company.

Thames declined to give further details, but analysts estimate that it would have to pay about \$100m (£63.7m) for the US company.

Buying Reeves would be in line with Thames' strategy of diversifying within its core television businesses.

This diversification is aimed at making it better prepared for the competitive allocation of UK franchises which will take place in 1991-1992.

Thames is particularly keen to gain access to the US, the world's largest television market, where the big three networks – CBS, NBC and ABC – reported combined income of about \$9bn in 1988.

Thames already sells programmes to the US: its Jack the Ripper mini-series helped it to achieve sales of £7.3m last year.

However, it is difficult to win sales to the US networks and Jack the Ripper was the first series Thames has sold to one of the major companies.

Buying Reeves would give Thames access to established links with the network companies.

Such an acquisition would also have defensive merits.

Should Thames fail to retain its franchise under the new tendering system, production companies and facilities would provide alternative sources of income.

Thames' interest in Reeves follows the purchase last year of MTM, another US production company, by TVS, the south coast franchise holder.

TVS paid about £190m, but its acquisition's performance has been disappointing so far.

Hillsdown reshuffles fish side

By Philip Coggan

HILLSDOWN Holdings, the food manufacturing group, is reorganising its fish interests via the purchase of several businesses from Clearwater Fine Foods, its Canadian subsidiary.

At the same time, Hillsdown is selling its stake in Clearwater to a group of investors, including the current management. The aim is to allow Hillsdown to concentrate on secondary processing of fish, such as canning and recipe dishes, and to move away from catching and from primary processing, such as filleting.

Hillsdown is buying Clearwater's UK, European, US and west coast Canadian businesses, which constitute about 75 per cent of Clearwater's C\$530m (£287m) annual turnover. Clearwater will keep its east coast Canadian operations.

According to Mr Kevin O'Sullivan, Hillsdown finance director, the two purchase prices effectively cancel each other out.

In addition, Maple Leaf Mills, Hillsdown's Canadian baking subsidiary, is merging its two quoted subsidiaries, Eastern Bakeries and Corporate Foods. The merger is being effected by a C\$10m offer from Corporate Foods for the minority stake in Eastern Bakeries.

Sharp downturn at Barlo Group

BARLO GROUP, the troubled Irish heating company, reported a downturn in profits from I£2.77m for the 15 months to end-March 1988 to I£243,000 (£211,000) for the year ended March 31 1989, on turnover down from I£34m to I£28.7m.

Net operating costs fell to £27.48m (£31.06m), but the company suffered an exceptional loss of £884,000 (£100,000).

This followed warnings that profitability had been adversely affected by the mild winter, difficulties encountered commissioning new plant, and discovery of a major mechanical fault at its Clonmel factory.

Shareholders funds have now been increased to £13.7m at the year end, mainly reflecting the additional share capital raised in September last year. Bank borrowings amounted to £3.9m.

Earnings per share came out at 0.42p (8.58p) and a final dividend of 0.125p is proposed, making 1.375p for the year.

Components limit Evans Halshaw growth

By John Ridding

A DEPRESSION in the components distribution market limited Evans Halshaw, the Birmingham-based motor dealer, to pre-tax profits of £4.2m for the six months to June 30, an increase of 15.5 per cent over the comparable £3.65m.

Earnings per share fell from 15.8p to 12.9p, reflecting last year's five-for-11 rights issue.

Mr Geoffrey Dale, chairman, said that Moprod-Supra, its after-market parts business, "suffered a very difficult half year." He said that at the end of 1988, when Supra was acquired to complement Moprod, "the market place went into a serious short term downturn." This was initially caused by a depressed demand for winter products, because of warm weather, and high interest rates.

As a result, the group's customers destocked and profits from this division were about £1.3m below budget for the first half.

Mr Dale said the longer term plans for the development of Moprod-Supra remained unaffected and integration plans were being brought forward.

The motor division benefited from the strong demand for vehicles and from the acquisition of a number of dealers in the second half of last year. The division as a whole, which represents about 75 per cent of earnings, increased profits by about 40 per cent.

Vehicle management services saw continued expansion in both the contract hire and fleet management operations. Profits on the disposal of end of contract vehicles were described as "excellent."

Mr Dale said vehicle markets were at record levels in volume terms and despite some caution regarding the broader economic situation "the positive fundamentals of transport requirements have outweighed any effects of high interest."

During the six months, sales increased from £129.21m to £204.88m. There is an interim dividend of 3.8p (3p).

● **COMMENT**

The unfortunate timing of its components expansion has taken the sparkle out of Evans Halshaw's glittering market reputation. But it was not alone in being caught off guard by the suddenness of the downturn and growth elsewhere remains impressive. The component markets are likely to remain tough for the rest of the year but the integration of Moprod and Supra should save costs of over £1m by the year end. Vehicle markets, however, are likely to become more difficult as new car sales peak. Mr Dale rightly points out that the business is less cyclical than often perceived and that less than 20 per cent of group earnings derive from new car sales. Nonetheless, it will be difficult to maintain the 40 per cent growth rate achieved by the motor division. Pre-tax profits for the full year should reach £12m, placing the shares on a prospective multiple of 7. The higher rating which Evans deserves will probably have to wait until the trends in its markets become clearer.

Hunt for the right refinancing formula

Maggie Urry outlines MFI's difficulties and profiles the man trying to rectify them

IN THE words of Mr Derek Hunt, the chairman of MFI Furniture, which last week agreed a refinancing plan: "If we had not been in such a highly leveraged situation we would have ridden this out. Management buy-outs are risky."

By "this" he means the sharp downturn in the furniture market which followed the rise in mortgage rates and the fall in the house-moving market.

The manufacturer and retailer of mainly kitchen and bedroom furniture raised £718m in November 1987 to buy itself out from its then owner Asda, the food retailer, and to take over Hygena, its main supplier.

Of the total raised, £500m was borrowed money.

The "absolute killer," Mr Hunt says, was the prolonged hot weather this summer, which has kept potential shoppers in their back gardens rather than in his stores.

The difference in this trade cycle, he says, is that people are not trading down to cheaper goods, but that they have simply stopped buying. The group cut its gross margin for three months in an unsuccessful attempt to revitalise sales, but now has restored it to normal levels.

The crunch came when the group realised it would have to raise money in order to meet an interest payment of £10m due last Wednesday. There were times during the long negotiations with banks and shareholders in the last couple of months when, admits Mr Hunt, "I thought things were close."

The deal with the group's 40 bankers and its shareholders, including Asda which still has a 25 per cent stake, involves a £35m rights issue and a £60m deferral of debt repayments. It was in effect done at 5am last Tuesday morning. The final negotiating session had begun 18 hours earlier.

The food had run out on Monday evening, Mr Hunt says, and the negotiators spent the night fortified only by tepid water and potato crisps. At 6am on Tuesday, they repaired to Smithfield market for a slap-up breakfast.

For Mr Hunt, who is a large man and who still played rugby as a prop forward until five years ago, the fare of bankers' sandwiches and apple juice over the last few weeks has helped him lose 2½ stone. And he has managed to stay away from smoking which he gave up 10 months ago, with the help of his finance director who had to wrest at least one cigar from his fingers.

Mr Hunt joined MFI, originally Mullard Furniture Industries, in 1972. In his office hangs a photograph of one of the first stores, in Balham, south London. Home delivery of furniture from that shop, recollects Mr Hunt, meant that Alf brought it round.

Alongside is a picture of the Flying Scotsman, the train which his father drove, and a blurred photograph of his father standing by his engine. Mr Hunt left school – Queen Elizabeth Grammar School in Darlington, Co Durham – at 16. He spent one week in a bank and seven years in the police – although he is so fed up with being described in the press as a "former bobby" that he asks not to discuss it.

He joined British Home Stores, and then moved to Fine Fare, the supermarket group then headed by Mr James Gulliver, where he stayed seven years. Mr Gulliver is now chairman of Lowndes Queensway, another highly-indebted furniture retailer which announced a similar refunding last week.

Tony Andrews

Derek Hunt: If we had not been in such a highly leveraged situation we would have ridden this out

Mr Hunt is sure that MFI's trading strategy is right, and is thankful that last November the group took over Schreiber, a maker of more upmarket kitchen and bedroom furniture.

If MFI had not bought Schreiber, it might have escaped the refinancing. But, says Mr Hunt, buying Schreiber was vital to the group's future and without it MFI would not now be able to introduce new Schreiber ranges to its stores.

He says that in the negotiations with the bankers it was paramount that the fabric of the business was not harmed.

Capital expenditure will be £25m this year. Plans for store openings this year and next are going ahead. The group is being more selective about taking sites further ahead, but believes that retail property is likely to get cheaper in the interim.

The City reaction has suggested that MFI won good terms from its bankers and shareholders, with no penalties inflicted and the interest margins unchanged.

No shareholder has refused to take up the rights issue, although some venture capital funds are unable to do so for technical reasons. And the 350 directors and managers involved in the buy-out, who between them own 3.75 per cent of the group's equity, are putting up a further £180,000 between them. Within that, each director is adding £20,000 to the £60,000 he invested originally.

Mr Hunt is negotiating with shareholders and bankers to allow a further share option scheme for staff so that their interest in the company is not diluted. He has a reputation for being able to draw tremendous loyalty from his staff, and is proud of the fact that 700 of the staff have won a 10-year service award, although 10 years ago the group only had 25 stores and employed perhaps 1,500 people.

Much has been said about the "ratchet" under which the 350 managers could in exceptional circumstances have increased their stake in the company to 26.25 per cent. But Mr Hunt says that until lately he did not fully understand how the ratchet worked – and he seems genuine.

Mr John Randall, finance director, recalls: "We did not go into the MBO with a view to making money. We thought MBOs were about driving around in Minis and getting paid £10,000 a year."

The ratchet has been modified to cover the period when the company is now likely to return to the stockmarket, as soon after spring 1991 as possible. The 350 people involved could still get up to 10 per cent of the company.

Despite all this, MFI expects to make an operating profit this year only £12m or so short of the £91.8m reported for the financial year ended April 1989, although it will be well short of the original buy-out target.

The group's accounts will be published later this month, and the chairman's statement has been extended to include details of the refinancing. They will look a bit odd, suggests Mr Randall, "a £91m profit and a refinancing".

Clothkits' problems take toll on Palma

PROBLEMS AT Clothkits, its retail clothing business, led the Palma Group into a loss of £403,000 pre-tax in the first half of 1989, compared to a profit of £1.03m last time.

The loss took account of £921,000 profit on sale of property development – part of more than £1.6m expected to be made on the sale of the development in Lewes.

Mr Peter Bailey, chairman, has taken personal charge of the Clothkits business. Looking forward, he was convinced this business would prove to be most satisfactory for the group.

Shareholders were warned in May that trading had been disappointing. Mr Bailey said Clothkits' spring range did not meet customers' expectations and sales were disappointing.

Consequent cost of markdowns in pre-tax terms was over £1m more than in the same period last year; in addition, poor trading did not cover total operational expenses.

Trading in the second half should be much better. That will include results of the summer sales of the autumn range, which the chairman was confident would more closely match customers' expectations.

Pex, the sock maker, was hit by the reduction in consumer spending and adverse weather. The Montfort knitwear business incurred a loss.

Turnover rose from £12.44m to £14.48m. Losses per share came to 1.61p (earnings 3.57p). The interim dividend is again 1.2p and the total is expected to be at least 3.7p (same).

Acquisitive Tibbett & Britten rises 41%

By Clare Pearson

TIBBETT & BRITTEN, the transport and distribution services group, is buying Lowfield, a distribution concern serving the grocery sector, for a maximum consideration of £12.5m.

The announcement came as T&B, which in March raised £16m via a one-for-four rights issue, announced pre-tax profits up 41 per cent to £3.8m (£2.7m) in the six months to July 1. That was scored on a 45 per cent rise in turnover to £42.16m (£29m).

Earnings per share rose 29 per cent to 8.5p (6.6p) and the interim dividend is being stepped up to 2.4p (1.9p).

The acquisition of Lowfield, which will not be completed until the end of September, is expected to add some £25m to sales in 1990. It will reinforce the move by T&B, which has to date mainly transported non-food, textile and domestic products, into grocery distribution.

The Lowfield business consists of seven contract operations. These break down into regional distribution centres for four of the major supermarket chains, and central warehouses for food manufacturers.

Initial consideration is £9.69m, of which £8.11m will be paid in cash with the balance in T&B shares. Further consideration, payable in shares, depends on future profits.

At the same time as being acquired by T&B, Lowfield is selling its non-dedicated transport network to Rockwood Holdings, the USM-quoted distribution group. After the deal, Rockwood's multi-customer food and drink distribution business will have turnover of about £30m.

Excluding this business, Lowfield made profits after interest but before non-recurring items and tax of £1.2m in the 10 months to July 29, on turnover of about £14.5m. Net tangible assets, leaving out some depots that are being leased to Rockwood, amount to some £2.2m.

On prospects, Mr John Harvey, T&B's chairman, said: "The contractual nature of over 80 per cent of our business cushions swings in the retail cycle." He said he looked for further profitable growth.

Once again, most of the growth in profits came from the two newer operating divisions, Retail Consolidation Services and Dartford Securities, which are mainly involved in long-term contracts and dedicated distribution services. Together, they generated over £11m of the extra revenue.

Mr Harvey said he expected to gain additional business from the acquisition by Black & Decker, the US power-tool and household products company, of Emhart, which had occurred after a new distribution contract with the company was announced.

The deal with Black & Decker, along with two other major contracts, was obtained during the first half.

ML makes first purchase in Europe via £4.6m deal

By Clare Pearson

ML HOLDINGS, the aerospace, defence and engineering group, is making its first purchase in continental Europe with the DM 14m (£4.6m) cash acquisition of Schopf Maschinenbau, a Stuttgart-based aircraft tow tractor manufacturer.

The vendor is Dobson Park Industries, the UK mining equipment and engineering group. Schopf designs, manufactures and sells a range of large aircraft tow tractors, together with equipment for the hard rock mining industry.

Schopf is to become part of ML Douglas, the subsidiary which is engaged principally in aircraft support services. Earlier this month, Douglas expanded its aircraft handling activities with the purchase of RTS International, an airport cargo trailer manufacturer.

ML said Schopf was now trading profitably, after making a pre-tax loss of DM 300,000 on sales of DM 26.3m in the year to end-September 1988. The deal is subject to shareholder approval.

Avdel at £6.9m but still awaits Textron control

By Graham Deller

AVDEL, the UK fasteners group which was taken over in January by Textron, the Rhode Island-based conglomerate, following a prolonged and sometimes acrimonious battle with Banner Industries, a US engineering group, yesterday unveiled results for the six months to end-June 1989.

The results – which showed pre-tax profits up from £5.6m to £6.9m on turnover ahead 13 per cent to £46m (£40.7m) – were released in somewhat unusual circumstances.

In February, Textron's agreed £140m offer fell foul of the US Federal Trades Commission which alleged that the deal might contravene US anti-trust laws. It believed it could substantially reduce competition in the design, production and sale of aerospace and non-aerospace blind rivets.

Since then, Textron has been denied access to control of Avdel. A trustee was appointed to hold the latter's equity capital until the case was settled.

As a result of the action, Textron is unable to include Avdel's earnings in its accounts. However, it continues to bear interest charges on borrowings related to the acquisition.

Charterhall sells Hornby stake for £2.9m

Charterhall, the UK investment vehicle of Mr Russell Goward, the Australian businessman, has disposed of its 17.2 per cent holding in Hornby Group, the toy and hobby product maker.

The stake was sold for £2.9m cash as part of a policy by Charterhall to concentrate on core activities in footwear retailing and clothing manufacture.

The holding has been sold to "parties friendly to Hornby", according to Charterhall, which claims to have realised a "most satisfactory" profit on the investment.

TI Spanish sale to net £25m

By Clay Harris

TI GROUP, the specialist engineering company, is to sell its 75 per cent stake in AP Amortiguadores, a Spanish-based manufacturer of automotive suspension struts and shock absorbers, for £25.4m to Arvin Industries of the US.

Arvin, which is based in Columbus, Indiana, will also assume TI's £11m share of APA's borrowings. Kayaba Industry of Japan will continue to hold 25 per cent of the Spanish group, which expects sales to reach £60m this year. Its profits have not been disclosed.

Mr Christopher Lewinton, TI chairman, said yesterday that the disposal was in line with the group's strategy of withdrawing from activities in which it did not have a reasonable prospect of becoming a global force.

For similar reasons, TI sold its European automotive silencer businesses, Cheswick and Bainbridge, to Arvin last December for £110m.

Arvin gained its first European manufacturing facility for struts and shock absorbers when it bought Amortex of France early in 1988. Its Dutch-based Gabriel subsidiary distributes a wide range of components.

Resort Hotels tops its forecast

RESORT HOTELS finished the year ended April 30 1989 with a pre-tax profit of £1.18m – double that of the previous year.

The outcome showed an 18 per cent rise on the minimum £1m forecast with the rights issue in April. Earnings came to 1.61p (1.43p) and the final dividend is 0.35p for a total of 0.55p. Had the company been on the USM for the whole of 1987-88 the comparative payment would have been 0.42p.

Several strategic acquisitions were made. Including Lloncourt, the most recent, the network will comprise 19 three star hotels all with function, conference and leisure facilities, two restaurants and a public house.

At April 29 a professional valuation of properties showed a total of £22.9m. Value of properties owned throughout the year rose to £9.9m (£8.4m).

A number of new products were being developed, including Carefree Days, a weekend break package aimed at the retail market.

Telford loss at £0.4m after reorganisation

LAST YEAR'S reorganisation and the £1.72m rights issue in March helped Telford Group, the USM-quoted information systems company, reduce losses in the 12 months to April 30 1989.

On turnover ahead 48 per cent to £1.78m (£1.21m), the deficit before tax was £433,803 – the loss incurred in the previous year amounted to £1.08m.

Mr Zohair Awartani, chairman, said the rights issue proceeds had been used for its first national marketing campaign and increased production facilities for its core document storage and retrieval system.

Expressing confidence over trading in the first quarter of the current year, Mr Awartani said a return to profitability remained the board's priority. "We can now see light at the end of the tunnel", he stated.

Losses per 10p share amounted to 2.7p (11.2p).

Ibex advances to £1.01m in maiden USM figures

IBEX Holdings, a USM-quoted recruitment and advertising group, produced a 30 per cent increase in pre-tax profits from £780,000 to £1.01m in the half year to June 30, on turnover doubled from £8.6m to £17.2m.

A break-down of the figures – the company's first results since it joined the USM in April this year – showed that Austin Benn, the recruitment consultancy, performed well with an advance of 49.6 per cent in profits on a 41.9 per cent gain in turnover.

But ABC Contract Services suffered from expansion and development costs and although turnover went ahead by some 95 per cent the improvement in operating profits was only 5.3 per cent.

P & M Advertising, acquired last October, has considerably improved its performance.

The tax charge amounted to £375,000 (£257,000) leaving net earnings per 10p share of 5.1p (4.4p).

An interim dividend of 1.9p has been declared.

Richardsons Westgarth up 39% to £0.96m

Strong demand and benefits from the recent investment programme led Richardsons Westgarth to a 39 per cent advance in pre-tax profits for the first half of 1989.

The directors said the immediate outlook for the steel stockholding and processing activities was encouraging, and they looked for continued satisfactory performance. The second half would include Berry Hill Group and its steel stockholding subsidiary James & Tatton, acquired in June.

Sales in the opening half rose 27 per cent to £13.63m (£10.72m) and profit came to £956,000 (£686,000). Operating surplus advanced 73 per cent to £1.09m but that was cut into by interest charges, compared with income received last time.

Earnings were 3.3p (2.6p) and the interim dividend is stepped up to 1p (0.8p) on the increased capital.

Sheldon Jones little changed at £471,000

SHELDON JONES, the USM-quoted maker of animal feeds and supplier of crop products, lifted turnover 11 per cent and pre-tax profit 6 per cent, from £443,000 to £471,000 in the year ended May 31 1989.

Turnover came to £15.79m (£14.26m). Trading environment for feedstuffs deteriorated in the second half, although there was an improvement in the last two months at reduced margins. Pascoe's continued to perform well. Interest charges advanced to £116,000 (£7,000).

Earnings fell to 6p (7.5p) after considerably higher tax. The dividend is again 4.65p with a final of 3.3p.

The company also announced the acquisition, for £1.25m cash subject to shareholders' approval, of Frome Chemical, a distributor of fertilisers, composts, sprays and garden and leisure related products. In the year ended June 30 1989 it made profits of £292,000 on sales of £4.2m. Net assets were nearly £2m.

Caparo Industries

Intersound Consumer Electronics, a subsidiary of Caparo Industries, the industrial holding company, has exchanged contracts for the sale of the former Fidelity factory in Acton, London. Consideration will be £8m cash.

The sale is conditional upon the grant of a planning consent for change of use.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Cambridge Electronic, Equity & Law Intl, Expamet Intl, Goodhead, Hong Kong & Shanghai Bank, Scandinavian Bank, Scottish Eastern Inv, French Mines Malaysia. Finals- Aerospace Engineering, [illegible], Malmont, Norbain Electronics.

FUTURE DATES

Interims-
Booker ... Sep. 6
Business Technology ... Aug. 24
CRH ... Sep. 4
Cooper (Alan) ... Sep. 5
Edinburgh Fund Managers ... Sep. 5
English & Overseas Props ... Aug. 31
Fairey ... Sep. 5
Friendly Hotels ... Sep. 6
Halls Homes & Gardens ... Sep. 4
Hestair ... Sep. 5
Intl Business Comm ... Sep. 8
Jones (A) ... Sep. 1
Ladbroke ... Aug. 30
Laing (John) ... Sep. 14
Unread ... Sep. 4
Mackay (Hugh) ... Aug. 25
North Midland Const ... Aug. 23
[illegible]

Finals-
[illegible]
Sime Darby ... Sep. 2

All-round growth lifts EBC

WITH EACH of the divisions playing its part, EBC Group, the property developer and housebuilder based in the south-west of England, achieved a 76 per cent jump in pre-tax profits for the first half of 1989 from £1.35m to £2.38m.

Mr David Stoneman, chairman, said that the contracting business and its special strength in the market for building maintenance had provided a consistent underpinning to the results. There had also been good contributions from commercial property development as well as from private housing, despite reduced sales in this area.

The funds generated in 1988's rights issue had been committed and the company remained confident for future prospects. Despite the strength of the south-west's economy, the fine summer had considerably eased the downturn in housing activity. Orders for building work, both large-and small-scale, were strong and Mr Stoneman said he expected a very satisfactory outcome for the full year.

The result was struck on turnover up 28 per cent from £26.78m to £34.2m. After tax of £833,000 (£474,000), earnings at this company which last August graduated from the USM to a full listing rose to 11.9p (9.02p).

The interim dividend is raised to 3.5p (2.7p).

TECHNOLOGY

Gathering clouds over air travel are creating an opportunity for the railways — and the faster the trains, the more potent the challenge. FT writers report on the stretching of conventional 'wheel on steel' technology and on the prospects for magnetic levitation

AS AIR travel becomes increasingly fraught, with long delays inevitable on the shortest journey, the technological focus has shifted to the ground.

The statistics disguise the shift. In international traffic, demand for rail has been on the decline at a rate of 1 per cent a year since 1980, while the rise in air traffic over the same period has been 67 per cent. But this has led to worsening congestion in the air, leaving the railways in a position to increase their market share in the 1990s.

When the high-speed rail link to the Channel Tunnel is complete (probably by the year 2000), the journey time from London to Paris will be cut from more than five hours of "mixed travel" to three hours and 15 minutes.

The European high-speed train network has been gathering momentum ever since France introduced its TGVs (Trains à Grande Vitesse) and speeded up inter-city transport, taking 40 per cent of the airlines' traffic and 25 per cent from the motorways on its Paris-Lyon route.

Other European countries have jumped on the high-speed bandwagon. Italy (a north-south line), West Germany, (the Inter City Express network described in the accompanying article), and Spain (high-speed route between Madrid and Seville) all have high-speed lines at various stages of design and construction.

Because they are all using conventional wheel-on-steel technology, the national high-speed lines can connect to form a European network.

The question is: will the railways simply continue to refine conventional technology in their quest to be competitive with the airlines, or will they invest in newer technologies, such as magnetic levitation, to achieve speeds of 500 kph?

Geoffrey Freeman Allen, editor of Jane's World Railways, sees no reason why conventional technology should be superseded in Europe. The reason for this is that Europe already has an extensive track infrastructure on which the fast trains can run — albeit not at top speed.

To enable speeds of up to 300 kph, new sections of track can be built for core routes over major arteries, as has happened with the TGV Atlantique service between Paris and Le Mans.

A minimum curvature radius (4,000 metres) and softer gradients (1.5 per cent exceptionally steepening to 2.5 per cent) have been fixed to accommodate the faster trains. The new line — the world's first commercial 300 kph rail service — will prove that France is still in the forefront of the high-speed revolution when it opens next month.

The new high-speed service linking London to Paris and Brussels via the Channel Tunnel will also rely on extra power from overhead lines, as does the TGV, and new track alignments to reach its top speed of 288 kph, which BR admits will only be possible on the Continent.

In contrast, magnetic levitation (Maglev) uses anything but conventional technology. The trains hover on an elevated track which is designed so that trains can follow changing contours without loss of speed. A-shaped concrete supports are fitted with equipment for levitation, guidance and propulsion.

The trains are streamlined for minimum wind resistance and fitted with electro-magnets. The track features ferro-magnetic armature rails which raise the train, while the guidance magnets keep it centred. The brakes are electrical and contactless — and if they fail, an eddy current brake system takes over.

Exciting though it sounds, Maglev presents more than the usual number of difficulties in a major construction and engineering project. "Maglev is not compatible with existing railways. It needs its own track and cannot connect with anything else. Why should countries invest great sums in it when they've already got stations and track?" says Allen.

One of Maglev's perceived drawbacks is safety. The trains are built to aircraft design standards, which means that they are more fragile than standard passenger coaches.

At the same time, they are more likely then aeroplanes to bump into each other or to hit debris on the track and crash. And, the critics add, they are more prone to deflection.

The prospect of Maglev's concrete guide-ways on pillars criss-crossing the countryside is likely to provoke the fiercest of environmental protest.

Meanwhile, if the Australian Very Fast Train is a success (see accompanying article), speeds of 350 kph are in sight using conventional technology.

Rachel Johnson

A choice of track for Germany's railway ambitions

West Germany's surprisingly antique railway network is on the threshold of modernisation.

At the beginning of the next century it could boast a 1,000-kilometre magnetically levitated Transrapid train link, with a futuristic train capable of travelling at more than 500 kph, as well as 4,000 km of track carrying a conventional high-speed-train capable of 280 kph but to be operated at 250 kph.

Considering its engineering prowess and the quality of its transport infrastructure Germany has appeared to lag behind in the development of fast trains, at least compared with France. Bnt now, prompted by growing congestion in the skies and on the antobahns, and by Europe's emergent high-speed rail network, the country is set for a great leap forward.

Compared with British Rail the Bundesbahn enjoys enormous pnblic snbsidy. Each year it receives a federal grant of about DM 13.5bn (£4.4bn) but still makes annual losses of more than DM 4bn which have contribnted to an accumulated debt of DM 50bn. Earlier this year, the Government said that it would write off DM 12bn of that debt.

Such sums have been required not simply because the Bundesbahn is inefficient but because after the war it inherited expensive obligations to employ people it did not need. Only since Reiner Gohlke took over as its head in 1982 has there been an attempt to run it as a business.

The social obligations also meant that the Bundesbahn under-invested in trains and track, although the generous public funding has still enabled it to electrify 35 per cent of the 28,000 km of track compared with only 25 per cent in Britain. It also makes it easier to contemplate the almost DM 20bn of investment that will be required for the Bundesbahn's Inter City Express (ICE) conventional high-speed network.

A large part of that network is due to be operational by 1991 with trains capable of running at 280 kph. Two new stretches of track are being laid between Hanover and Wuerzburg (327 km) and Mammheim and Stuttgart (100 km), and another 3,500 km of existing track is being modernised to accommodate the new trains. Two further links — between Karlsruhe and Basel in Switzerland and between Frankfurt and Cologne — are due for completion later in the 1990s.

There are still a few technical problems associated with the energy consumption of the ICE trains, 82 of which have already been ordered. And despite the fact that the strong environmental lobby is theoretically pro-train, it is also generally bostile to the laying of new track (especially between Frankfurt and Cologne) and the country's legal system gives land owners considerable powers of obstruction.

The even more ambitious Transrapid magnetic levitation project has to contend with the latter problems and plenty more of its own. There are growing doubts in Bonn that it will ever run on anything more than its experimental 31 km track in Emsland in northern Germany. This is for political rather than technical reasons — although a few technical difficulties have yet to be resolved including the problem of ice on the electro-magnetic track.

There are three identifiable groups in the Transrapid debate — for, against and undecided. The first consists of the Research Ministry, several banks and the Transrapid consortium itself led by Thyssen, Messerschmitt-Bölkow-Blohm and Krauss-Maffei (also important contractors to ICE).

The proponents argue that the frictionless super-speed train, which hovers a few centimetres above electro-magnets built into elevated tracks, will fill a gap between conventional railways and air travel, relieving both of congestion — which is expected to worsen after 1992 because of the Single European Market.

They claim not only that the Transrapid train would cut the 1,000-mile Hamburg-Municb trip from 10 hours to 3.5 hours, but also that the engine-less train would have low labour and energy costs, and travel in a quiet and environmentally sound manner (although most environmental groups oppose it). They say a decent stretch of track is required in Germany as a show-case for tbe hoped-for foreign orders from the US, Canada, China and the Middle East.

Transrapid believes that it can raise most of the DM 30bn required from the private sector, perhaps modelled on the Channel Tunnel financing, and it may soon form itself into a public company. But it insists that it needs an initial injection of about DM 4bn of government money for the first stage — a 100 km track between Hamburg and Hanover or a 150 km track between Essen and Bonn.

But the sceptics, led by the Transport Ministry, say that the project will cost at least DM 50bn, will not solve Germany's transport problems and will fail to get backing from the private sector. The ministry will advise the Government not to provide any more public money for the project beyond tha DM 1.3bn already paid out for the test track.

"A Europe-wide Transrapid system might have been possible in the 1970s or early 1980s but now it's too late and it makes no sense in Germany alone," says Juergen Huber of the Transport Ministry. It argues that the French would never join a European Transrapid system and that the conventional ICE has the scope to increase the speed of its trains in the long run.

The ministry is also suspicious of the show-case argument and points to the fact that it now looks likely that Transrapid will clinch its first order in the US from Orlando airport to Disney World in Florida, admittedly only 30 km, without one. For longer lines, from Los Angeles to Las Vegas for example, the argument for a show-case may be stronger.

The neutral group comprises the official environmental lobby — the Environment Ministry — and the opposition Social Democrats. Although Transrapid is a "clean" train, because it requires new track to be built it has set country interests against those of the urban business community. The neutrals may also be influenced by growing hostility to large-scale schemes of any kind, especially after the waste of more than DM 20bn on grand nuclear projects over the last 15 years.

As so often in Germany the decision will probably depend on the outcome of a regional battle. Northern politicians, Christian Democrat and Social Democrat alike, are strong supporters partly because more of the work on the trains will be done in the north. Some of these politicians, backed by Eckart Van Hooven of the Deutsche Bank, also see the chance of a northern European Transrapid linking the Scandinavian countries to Germany.

However, Friedrich Zimmermann, the Transport Minister, is from Bavaria where there is far less popular enthusiasm for the project. It is not certain that there is much popular enthusiasm even in the north and Ernst Albrecht, Prime Minister of Lower Saxony and one of the project's most enthusiastic supporters, is keeping a low political profile on the issue until after the state election next year.

The recent news that the Japanese have decided to build a 45 km test track for their own magnetic train may strengthen the argument for the Government to make a decisive move next month, when the cabinet has to decide whether to provide the money for the first leg. But given the lack of consensus the decision is almost certain to be delayed.

The ICE project, especially in its European dimension, will also have to survive a few stormy arguments. One is already brewing over who will build the trains capable of crossing the different national railway grids — most of which use different voltages. Alsthom of France has put in a bid to be the main contractor which is not welcomed in Germany.

Such arguments may cause Europe's high-speed train to be a little late into the station, but it should not stop it arriving altogether. The same cannot be said with any certainty about Transrapid.

David Goodhart

High-speed route through a finely balanced market

It goes without saying: speed is the key to the success of Australia's Very Fast Train (VFT). At a top speed of 350 kph, the 875 km rail journey between Sydney and Melbourne via Canberra would take three hours. Anything less, and the train would be at a commercial disadvantage to the airlines.

That is the delicate judgment of the A$4.5bn (£2.2bn) project's backers, a four-member consortium linking three of Australia's largest companies — Broken Hill Proprietary (BHP), Elders IXL and TNT — with Kumagai Gumi, the Japanese construction group. If the current feasibility study shows the project to be viable, they hope to have the service in operation by 1995.

The idea is to beat the airlines on cost, and buses and conventional trains on time. At present Australians pay close to A$200 to fly one way between Sydney and Melbourne, a trip that takes about 70 minutes. By bus or train it costs less — A$40 to A$70 — but the journey takes 12 hours.

The interesting feature of the VFT's technology is that it is conventional — sophisticated, to be sure, but involving no radical departures. It will be a steel wheel on a steel rail system, electrically powered from overhead wiring.

The key point about the VFT is that it will run on its own dedicated track, specially built to give it the best possible alignment. The track gauge will be the international standard of 1,435 mm and will be constructed conventionally.

The primary difference, says a report* from the consortium, is "the adoption of a minimum horizontal curve radius of 7 km and a minimum vertical curve radius of 32 km."

That means the VFT will actually have steeper gradients than conventional railways — 3.5 per cent rather than the typical 1.5 per cent — as well as smoother curves. According to the report, "the recognition of the effect of kinetic energy on hill-climbing ability has led to a marked reduction in construction costs." It puts the saving for the VFT's construction bill at around A$2bn.

Power for the VFT will come from an overhead wiring system energised at 1,500 volts dc in suburban Sydney and Melbourne in order to avoid electrical interference with the signalling systems. But for the major part of the route the wire would be energised at 50,000 volts ac.

The idea is to beat the airlines on cost, and buses and conventional trains on time

The trains will have three braking systems: regenerative, in which power generated by the motors is fed back into the electricity supply system, magnetic track brakes, which induce eddy currents in the track with the effect of retarding the train, and conventional disc brakes to be used primarily at low speeds.

Rather than conventional lineside signals, the signalling system will use displays in the driver's cab, coupled with automatic train control to eliminate the potential for driver error.

Each VFT train will consist of six passenger cars with a power car or locomotive at either end, making it nearly 200 metres in length.

According to Alan Castleman, chief executive of the VFT joint venture, the train will incorporate technological developments from abroad designed to ensure speedy but safe travel without excessive track damage. These include improved suspensions, bogies and wheel sets, a more efficient overhead current collection system, and enhanced motor control technology and electronic circuitry.

The obvious question regarding the VFT, given that it is not scheduled to come into operation until the mid-1990s, is why those involved in the venture have not considered the magnetic levitation (Maglev) system, under development in both Japan and West Germany.

The answer is that they have considered this option, but reckon that none of the competing Maglev systems is sufficiently developed to be available within the time sought for the VFT. In addition, they calculate that the track cost would be some two-and-a-half times that of a wheel-on-rail system, because it would require more bridging and substantial quantities of copper winding along the track's length.

That does not rule out Maglev altogether. The VFT trains will have a life of around 30 years. Then, or earlier if that is feasible, the report says "further consideration may be given as to whether those replacements should be wheel on rail trains, or whether the right of way should be converted for Maglev operation."

* *VFT Concept Report (published by the VFT Joint Venture, GPO Box 2188, Canberra, Australia 2601; December 1988)*

Chris Sherwell

COMMODITIES AND AGRICULTURE

Copper up again after Mexican mine bankruptcy

By Kenneth Gooding, Mining Correspondent

CONTORTIONS IN the copper market continued yesterday as it absorbed the news from Mexico that the Cananea mine, which accounts for about 2 per cent of the non-communist world's output of the metal, had been declared bankrupt.

The London Metal Exchange price of Grade A copper for immediate delivery, which gained £137.50 last week but had slipped back on Friday, moved up by £23.50 a tonne to close yesterday at £1,820. Three-month metal, up £140 last week, edged ahead by £16 a tonne yesterday to £1,793.50.

One leading copper trader said: "The London market now appears to be rather expensive and speculators should probably think twice before taking fresh positions at current levels."

However, Mr Jon Bergthell, base metals analyst with the James Capel mining team, suggested the market was not taking the current disruptions to base metals production seriously enough because it had become used to the idea that production in South America and Central Africa was falling far short of attainable levels.

He pointed out that, although the national strike currently hitting copper output in Peru might be short-lived, and, although output at Bougainville in Papua New Guinea might re-start in the near future, there was little chance that the underlying political causes of these disruptions would be eliminated.

Moreover, the chances of Central Africa sorting out its infrastructural and Aids-related problems "must be limited."

Mr Bergthell said: "It is the cumulative effect of having problems in these regions at the same time that the market seems to gloss over. Peru, Bougainville, Zambia and Zaire between them produced 21.5 per cent of the non-communist world's copper in 1988."

The combination of a successful "soft" landing for the US economy, low metal stocks and continuing supply disruptions, "indicate that this bear market in base metal prices may already have seen the worst declines," he added.

Cananea bankruptcy page 5

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium	−15,600	to 102,700
Copper	−675	to 77,300
Lead	−775	to 28,200
Nickel	−510	to 1,690
Zinc	+8,900	to 40,700
Tin	+295	to 2,015

Zinc consumption down by nearly 3%

By Kenneth Gooding, Mining Correspondent

ZINC CONSUMPTION in the non-communist world fell by 2.8 per cent to an estimated 2.58m tonnes during the first six months of 1989, according to the International Lead and Zinc Study Group.

Analysts suggest this is a clear indication of the slowing of activity in construction and car-building, particularly in the US. Both industries are leading zinc users.

In contrast to zinc, which reached record prices on the London Metal Exchange last year, lead has only recently caught up and its prices are at eight-year peaks. The Institute's figures show the underlying trend for lead was very positive in the first six months.

Consumption remained at the very high level experienced in the first half of 1988 and was an estimated 2.16m tonnes.

Reacting to the fall in demand, refined zinc production fell by 1 per cent in the half-year to 2.577m tonnes while mine output of the metal was down by 1.6 per cent to 2.6m tonnes.

Lead output from the mines also fell, by nearly 2 per cent to 1.18m tonnes, reflecting production problems, whereas refined metal production followed the demand pattern and rose by 1.4 per cent to 2.232m tonnes.

The Institute says stocks of refined lead held by producers have fallen by 7,000 tonnes from the beginning of this year to 165,000 tonnes and stocks in LME warehouses have been reduced by 27,000 tonnes to 32,600 tonnes.

Refined zinc stocks in producers' hands were a little above the level at the beginning of this year at 312,000 tonnes, while stocks in LME warehouses were down from 40,500 tonnes at the start of 1989 to 27,700 tonnes.

Phibro statement hits cocoa

By Richard Mooney

COCOA PRICES on the London Futures and Options Exchange fell sharply yesterday as it became clear that most of the Ivorian beans covered by a large deal signed at the beginning of this month were already committed in the market.

Philipp Brothers (Phibro), the big US trade house, confirmed on August 4 that it had secured 500,000 tonnes of the Ivory Coast's 1989-90 crop, 200,000 tonnes of which were being passed on to Sucres et Denrées of Paris. The news shook the market out of its torpor as dealers reacted nervously to such a large block of Ivorian cocoa being controlled by just two trading houses. In its June market report Gill & Duffus, the London trade house, put the country's 1988-89 crop at 780,000 tonnes, 32 per cent of the world total.

But Mr Derek Watts, managing director of Phibro (Malaysia), said yesterday in Kuala Lumpur that most of the cocoa his company had bought was already spoken for. "It is well known in the cocoa market that Philipp Brothers has been an aggressive seller of Ivory Coast cocoa beans since the beginning of this year," the Reuter news agency quoted him as saying. "As such, the bulk of the purchase has already been sold to customers."

He added that the purchase was on a differential price basis, so any subsequent price rise "will accumulate to the Ivory Coast, at the time of fixation (and indirectly to other cocoa producers) and not to Philipp Brothers."

Before the first rumours of the deal appeared, the December cocoa futures price had been standing at £891 a tonne but after its confirmation a few days later it reached £967 a tonne. That gain had been more than wiped out by the end of last week, however, as the fundamental bearishness of the supply/demand situation had been reasserted. And yesterday December cocoa fell another £38 to £827 a tonne.

Mr Watts said the Phibro statement was intended to quell market speculation that the deal meant the company stood to benefit from a price rise a time when it was involved with the Ivory Coast in drawing up a multi-producer stock-holding plan aimed at boosting the world market.

Mr Chris Ariel, a consultant to Phibro, said this month that he had presented two Ivorian plans for withholding up to 300,000 tonnes of cocoa to six producer nations.

Green tendency is poisoning water debate

Despite publicity, there is no scientific evidence that Britain's supplies are dangerous

THE APPARENT belief of an ever-increasing number of people that Britain's public water supplies posa a danger to health because of modern farming methods does not stand up to examination. The fear has made fortunes for companies in the business of bottling drinking water, caused considerable but unnecessary concern to consumers and looks like costing the country and its farmers many hundreds if not thousands of millions of pounds over the next few years.

The panic has been orchestrated by the green movement and perpetuated by the press almost to the level of obsession. And that is hardly surprising when headlines regularly scream that tap water is full of poisonous pesticides and polluted with deadly dangerous nitrates. Very few of the reports beneath such headlines however take the trouble to assess the evidence for such allegations.

On pesticides and other agro-chemicals, for instance, the facts are that in recent years the methods used by scientists to detect the presence of even minute quantities of residues of all kinds in water have become significantly more sophisticated. That this has enabled them to find one or two parts per billion of chemical in water in a few cases should cause little concern. As one scientist told me it is the equivalent of finding a golfball in Wales and does not amount to a conceivable danger.

But the main preoccupation at present seems to be with nitrates in water and the British Government's failure to comply with an eight-year-old EC directive that all member states should, by 1985, ensure public supplies did not contain nitrates at a concentration of more than 50 parts per million (ppm). In some areas of the UK, notably East Anglia, levels are above that standard and agricultural fertilisers are perceived to be responsible.

FARMER'S VIEWPOINT

By David Richardson

All soils contain nitrogen as a result of the chemical breakdown of organic material within them and rain washes some of the resulting nitrate into drains and ditches and eventually into boreholes and reservoirs. This goes on all the while and cannot be controlled.

When artificial nitrogen is used to enhance crop growth it, too, is subject to the same leaching process and if more is applied than a crop can absorb a little can be lost down drains. Since this is the only aspect of nitrate loss from the soil which can be influenced by changes in farming practice, it has attracted most attention from environmentalists and politicians.

Indeed one of the first pronouncements by John Gummer after he became Minister of Agriculture a few weeks ago was on the planned establishment of Nitrate Sensitive Areas.

A pilot experimental scheme over a few limited areas is to be initiated next year, whereby farmers will voluntarily restrict applications of nitrogen fertilisers and some arable land will be planted with grass. Affected farmers will receive compensation for loss of income.

The rate of compensation has not yet been announced but will need to be sizeable if it is to cover all direct and indirect losses, including the "blight" on the land in question which may become virtually unsaleable because of the restrictions.

In some other areas, farmers will be advised on any necessary modifications in their farming systems to comply with Good Agricultural Practice in order to limit nitrate leaching from their land. But this has not been defined and the farmers will not be paid compensation. Should such measures be extended over a wide area of the country in due course, it has been suggested that loss of yield would lead to serious deficits in a number of commodities and could lead to a steep rise in the price of cereals and foods reliant on them.

The restrictions would be justified, of course, if there were any evidence that the present levels of nitrate in UK water supplies were remotely likely to cause blue babies and stomach cancer, as alleged by those who condemn artificial fertilisers.

But the last reported death of a blue baby in Britain was in 1951; the last confirmed case was in 1972; and of the 14 cases over 35 years where water was suspected as the cause, almost all were associated with shallow wells which were contaminated with bacteria. None was positively associated with a public water supply.

The suggestion that nitrates cause stomach cancer is derived entirely from historical work on laboratory animals. But the evidence does not support the same contention for humans. A study of the records for the whole country reveals that East Anglia, where nitrates in water are higher than almost anywhere else in Britain, has the lowest incidence of gastric cancer in the country. The number of deaths from the disease in England and Wales has in any case almost halved over the last 40 years.

It should also be noted that on average 70 per cent of the nitrates ingested by humans comes from food and only 30 per cent from water. The type of food which consistently contains most nitrate is, in fact, vegetables but that does not imply that vegetarians are most at risk. Studies in Japan have shown that regular consumption of large quantities of vegetables reduces the risk of cancer.

On what basis then has the EC decided to set a limit of 50 ppm of nitrate in drinking water? Before the regulation was imposed, the UK government and water authorities were satisfied that 100 ppm was entirely safe. Indeed the World Health Organisation still accepts that 100 ppm of nitrate is a reasonable target and that this leaves a great deal of room for possible error.

The answer has to be that the figure of 50 ppm was plucked from the air and accepted as a compromise – as are so many regulations in the EC – after pressure from the Greens, whose influence is beginning to dominate Europe. The level was certainly not based on scientific evidence or data indicating that a maximum of 50 ppm is necessary.

A House of Lords select committee on agriculture recently reached just that conclusion. While confirming that it was, of course, desirable for drinking water to be as pure as possible, the committee warned that Britain's more recent agreement to implement the limit by 1995 (the Commission has insisted on 1993) was not achievable.

Nitrate derived from organic matter already in the soil could take up to 50 years to work its way through soil strata into water supplies. And in the meantime it would be continuously replenished from the surface by the residues of further plant growth. If 50 per cent of East Anglia's arable land were turned over to non-fertilised grassland the process could be slowed down over time but it could not be stopped.

The only shorter-term alternative would be for water suppliers to install purification units and blending plants, the cost of which would be prohibitive. It would in any case be technically impossible to complete the work in time for the EC's deadline or the UK's promise. Their Lordships thought a more sensible solution would be to differentiate between water for drinking and water for other purposes. But they were also clearly unconvinced of the need for a 50 ppm limit.

The EC, however, is not the most paranoiac when it comes to water purity and imagined dangers. Two years ago the US adopted a standard of 10 ppm as the maximum desirable level of nitrate in water. At the same time the US Department of Agriculture issued a series of guidelines to farmers which have since been implemented in different ways by each state. They are not too dissimilar to those in Mr Gummer's Nitrate Sensitive Areas.

In Nebraska, for instance, in areas where ground water nitrate levels are above 20 ppm, farmers are banned from applying fertiliser to bare land in the autumn because of the added risk of leaching as a result of winter rain and snow. Most UK farmers stopped spreading autumn nitrogen five or six years ago for economic as well as ecological reasons.

Nebraska farmers are also being encouraged to "spoon feed" their crops with fertiliser requirements – in other words to apply nitrogen up to three times per season in amounts the plants need at the time rather than all in one dollop in the spring. This, too, has been practised on UK arable farms for at least 10 years.

Meanwhile any US consumer living in a municipal area where the water contains more than 10 ppm of nitrate is entitled to receive free bottled drinking water on demand.

I recently asked Steve Oltmans, the general manager of the Papio-Missouri Natural Resources District based at Omaha, if many of his consumers exercised their right. "I guess not," he replied. "Country folks here in the Mid West don't worry over much. On the more densely populated east and west coasts they do though. When you put critters close together they get excited over nothin'."

Australia's live sheep trade with Middle East at risk

By Chris Sherwell in Sydney

AUSTRALIA'S lucrative live sheep trade with Middle Eastern countries is starting to suffer from unsubstantiated Saudi Arabian allegations of disease in individual cargoes, Canberra officials reported yesterday.

Saudi quarantine authorities have now rejected a total of five sheep cargoes, involving 294,000 sheep, since late July, the latest two on Friday and Sunday. The first two shipments were suspected of having blue tongue disease, the other three sheep pox.

The incidents are controversial because Australia's veterinary official based in Riyadh was not allowed to verify the suspicions, and because the initial sheep cargoes have since passed inspection and been sold in other Gulf countries.

According to Canberra officials yesterday, the Saudi allegations have already produced two immediate results: a downturn in sheep sales in other Gulf countries, and a sharp rise in the price of sheep in Saudi Arabia itself.

Not all Australian shipments are being rejected by the Saudis: three have been accepted since late July, and Canberra has been told that shipments from other countries have also been turned away. But that has given little comfort to the government or the industry.

Australia's live sheep trade with the Middle East is worth around A$350m (£170m) a year, of which about half is with Saudi Arabia. Canberra is angry at the damage to the country's reputation, and last week sent a delegation to Saudi Arabia to see officials from the Commerce Ministry and the Agriculture and Water Ministry.

Their report is now under consideration, but one option the Australian industry will have to consider is whether it is worth carrying on with the trade at all.

As for the problem itself, no reliable explanation has yet surfaced to account for its sudden emergence. Canberra officials have pointed to the fact that one company in particular – the Saudi Livestock Trading and Transport Company – has been hurt by the rejections.

Beyond that, they have alluded to internal royal politics, inter-departmental rivalries, breaches of Saudi rules regarding sheep purchases abroad, Saudi efforts to develop a local sheep industry, and over-zealous quarantine officials embarrassed by outbreaks of an unrelated disease.

"The Saudi Ministry of Agriculture turned back 68,000 sheep at King Abdulaziz port in Dammam on Friday "after veterinary and clinical tests proved they were infected with sheep pox disease," the Saudi press agency said, reports Reuter from Nicosia. That took the total number rejected to 300,000.

WORLD COMMODITIES PRICES

LONDON MARKETS

TIN PRICES fell to new life of contract lows on the London Metal Exchange yesterday, before steadying a little near the close. Cash metal added $445 to last week's $560 fall while the three months price, which fell $630 last week, ended $375 down at $8,040 a tonne. Late short-covering and profit taking purchases led one trader to suggest that $8,000 (for three months) seemed to be something of a support level – "but there again," he added, "so briefly were $10,000 and $9,000." News of a big fall in LME warehouse stocks of aluminium took the market by surprise and the metal regained last week's fall with interest. The cash position rose $26 to $1,809.50 a tonne while the three months quotation was up $31 at $1,803.50 a tonne. The stocks fall of 15,600 tonnes took the total decline over the past four weeks to more than 40,000 tonnes.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.20-6.30w	+0.10
Brent Blend	$17.06-7.12z	+.095
W.T.I. (1 pm est)	$18.48-8.53w	+0.12
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$196-198	-1
Gas Oil	$156-158	
Heavy Fuel Oil	$84-85	-½
Naphtha	$153-155	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$366.00	-0.75
Silver (per troy oz)♣	523c	-3
Platinum (per troy oz)	$480.75	-3.25
Palladium (per troy oz)	$133.25	-1.25
Aluminium (free market)	$1805	+30
Copper (US Producer)	131⅝-132	+4
Lead (US Producer)	39.5c	
Nickel (free market)	605c	+20
Tin (Kuala Lumpur market)	21.4r	-1.2
Tin (New York)	394	
Zinc (US Prime Western)	82¼c	
Cattle (live weight)†	118.44p	+1.43*
Sheep (dead weight)†	153.31p	+7.11*
Pigs (live weight)†	93.38p	+1.96*
London daily sugar (raw)	$336.0v	-4.6
London daily sugar (white)	$487v	-4
Tate and Lyle export price	£326.5	-4.0
Barley (English feed)	£106.5z	
Maize (US No. 3 yellow)	£131.00	+0.25
Wheat (US Dark Northern)	£126.5t	-1.5
Rubber (spot)♥	67.75p	-0.25
Rubber (Sep)♥	69.00p	-0.25
Rubber (Oct)♥	69.75p	-0.25
Rubber (KL RSS No 1 Sep)	236.5m	-0.5
Coconut oil (Philippines)§	$480t	+10
Palm Oil (Malaysian)§	$312.5v	
Copra (Philippines)§	$300	
Soyabeans (US)	£167w	
Cotton "A" index	82.65c	+0.50
Wooltops (64s Super)	604p	+8

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Dec. z-Sep. x-Nov/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Sep	771	807	800	787
Dec	827	865	856	820
Mar	803	840	835	800
May	812	853	844	809
Jul	829	868	864	828
Sep	845	883	867	843
Dec	870	905	895	867

Turnover: 15271 (10063) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 18 1000.96 (1022.03); 10 day average for Aug 21 1054.06 (1062.30)

COFFEE £/tonne

	Close	Previous	High/Low	
Sep	761	752	764	752
Nov	765	754	769	756
Jan	781	772	785	774
Mar	799	788	800	789
May	815	806	818	810
Jul	839	835	830	828
Sep	870	853	851	850

Turnover: 3099 (2414) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 18: Comp. daily 66.44 (66.44). 15 day average 68.84 (69.15)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	297.00	288.20	300.00	285.50
Dec	287.80	290.50	288.00	
Mar	280.00	282.00	282.50	278.40
May	275.00	277.00	276.80	275.00
Aug	270.60	272.00	272.00	271.00
Oct	264.00	264.60	266.20	264.00
White				
Oct	405.00	404.00	404.00	402.00
Dec	369.00	366.00	365.50	361.00
Mar	352.00	354.00	353.00	351.00
May	349.00	350.00	347.00	347.00
Aug	346.00	346.00	345.50	343.00

Turnover: Raw 8681 (3713) lots of 50 tonnes. White 1379 (626).
Paris- White (FFr per tonne): Oct 2864, Dec 2405, Mar 2327, May 2312, Aug 2302, Oct 2260.

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Oct	16.83	16.85	16.99	16.82
Nov	16.75	16.77	16.90	16.74
Dec	16.64	16.76	16.64	
IPE Index	16.85	16.94		

Turnover: 3816 (4950)

GAS OIL $/tonne

	Close	Previous	High/Low	
Sep	155.00	154.50	155.50	154.75
Oct	153.00	152.75	154.00	153.00
Nov	153.00	152.75	153.50	152.75
Dec	153.25	152.00	153.25	152.75
Jan	151.25	150.50	152.00	150.50
Feb	149.00	148.00		
Mar	145.50	144.00		
Apr	143.00	143.00	143.00	

Turnover 2871 (6015) lots of 100 tonnes

TEA

There were 10,254 packages on offer including 7,800 offshore, reports the Tea Brokers Association. Prices for bright liquoring East Africans and colourful mediums continued fully firm but plainer sorts showed an easier tendency. Ceylons were a very strong feature and sold at dearer rates. In the offshore auction Bangladesh teas attracted fair competition but there were some withdrawals amongst the plainer descriptions. Kenyas met good demand at firm rates while primary grades from Central Africa sold readily. Quotations: quality 195p (same), medium 124p (same), low medium 96p (97p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,125 tonne
Cash	1809-10	1780-5	1810/1808	1808-10		
3 months	1802-5	1770-5	1820/1800	1800-5	1801-5	28,899 lots
Copper, Grade A (£ per tonne)						Ring turnover 37,225 tonne
Cash	1819-21	1796-7	1825/1809	1803-4		
3 months	1793-4	1777-8	1804/1778	1782-3	1803-4	70,327 lots
Lead (£ per tonne)						Ring turnover 6,725 tonne
Cash	446-7	452-4	447/446	446-7		
3 months	438.5-9	442-4	443/438	438.75-9	438-40	10,654 lots
Nickel ($ per tonne)						Ring turnover 1,200 tonne
Cash	12850-900	12760-70	13200/12900	13150-200		
3 months	12100-50	11900-50	12200/12100	12250-300	12100-50	5,226 lots
Tin ($ per tonne)						Ring turnover 190 tonne
Cash	7960-80	8300-30		7950-60		
3 months	8030-50	8400-30	8250/8000	8020-30	8040-50	5,698 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 20,650 tonne
Cash	1970-80	1910-20	1970/1940	1945-8		
3 months	1750-5	1750-1	1755/1730	1736-45	1750-5	12,020 lots
Zinc ($ per tonne)						Ring turnover 10,650 tonne
Cash	1820-30	1785-800		1795-805		
3 months	1680-90	1685-8	1680	1675-80	1685-90	7,078 lots

LME Closing £/$ rate: SPOT: 1.5770 3 months: 1.5588 6 months: 1.5424 9 months: 1.5296

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	144.0	142.0	143.9	141.0
Feb	170.0	170.0	165.0	165.0
Apr	223.0	221.0	226.0	221.7
May	244.0	241.0	245.0	244.5

Turnover 616 (624) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	139.50	138.00	139.50	137.00
Dec	140.50	140.00	139.00	138.00
Feb	143.00	141.50		

Turnover 170 (85) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Aug	1434	1435		
Sep	1510	1502	1505	1499
Oct	1585	1560	1558	1558
Jan	1599	1603	1599	1594
Apr	1622	1625	1622	1620
Jul	1424	1415	1410	
BFI	1421	1421		

Turnover 88 (165)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	106.55	106.60	106.65	106.50
Nov	109.65	109.60	109.75	109.65
Jan	112.85	113.00	113.00	112.80
Mar	115.45	115.00	115.60	115.50
May	118.30	118.45	118.40	118.35
Jun	120.20	120.25	120.25	
Barley				
Sep	102.60	102.60	102.60	102.50
Nov	106.50	106.45	106.50	106.45
Jan	109.50	109.50	109.50	
Mar	112.10	112.05		
May	114.15	114.15	114.15	

Turnover: Wheat 227 (369), Barley 53 (85). Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low	
Aug	116.5	118.2	116.5	
Oct	121.0	120.5	120.5	
Nov	121.0	120.5		

Turnover 10 (31) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	365¾-366¼	232-232½
Opening	365¼-365¾	233¼-234¼
Morning fix	365.5	232.921
Afternoon fix	365.9	232.244
Day's high	366-366½	
Day's low	365¼-365¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	376½-381½	239-242
Britannia	376½-381½	239-242
US Eagle	376½-381½	239-242
Angel	374-379	237½-240⅝
Krugerrand	364½-367½	231-233
New Sov.	86-87	54½-55¼
Old Sov.	86-87	54½-55¼
Noble Plat	488.5-494.25	309.3-314.2
Silver fix	**p/fine oz**	**US cts equiv**
Spot	332.15	521.40
3 months	343.55	533.05
6 months	354.40	544.05
12 months	375.50	565.85

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1700	121	131	3	26
1800	43	71	24	64
1900	8	33	88	124
Copper (Grade A)	**Calls**		**Puts**	
2700	180	184	11	82
2800	104	131	35	127
2900	51	80	81	183

LONDON FOX TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
700	37	110	23	38
750	57	90	43	59
800	34	67	70	86
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
800	58	68	32	66
850	34	51	58	99
900	18	32	92	130

US MARKETS

IN THE METALS, very quiet trading continued, reports Drexel Burnham Lambert. Gold, silver and platinum followed the US dollar's slow movement. Copper gained from mostly fund and local activity. In the softs, cocoa prices sank 46 dollars basis September as the day's most active market. New short-selling made up most of the volume. Coffee was up 189 points basis September as trade activity provided support. Sugar trading was dull as prices swayed around unchanged levels for most of the day. Cotton futures advanced from early fund buying. The livestocks all closed lower led by heavy declines in the pork bellies and cattle. Sell stops and an expected rise in slaughter rates as the spring pig crop comes into the market weighed on the pork bellies. Professional and local selling in the face of light packer interest depressed cattle futures. An expected seasonal increase in hog numbers kept hog futures under pressure. The grains featured higher prices in the soy complex as increased commercial activity was noted. Corn and wheat futures had non-eventful sessions. The energy complex was dull in front of Tuesday's expiration of the September contract.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	368.4	368.1	368.3	368.0
Sep	368.8	368.5	369.0	369.0
Oct	370.7	370.1	371.1	369.4
Dec	374.5	373.9	374.9	373.3
Feb	378.3	377.7	378.0	377.0
Apr	382.1	381.5	381.2	381.2
Jun	386.0	385.4	0	0
Aug	389.7	389.1	0	0
Oct	393.6	393.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Sep	495.4	493.5	0	0
Oct	487.7	485.8	489.5	483.0
Jan	491.2	489.3	493.3	486.5
Apr	494.8	493.2	493.0	493.0
Jul	498.7	497.1	0	0
Oct	502.6	501.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	522.7	523.8	0	0
Sep	524.3	525.5	526.5	522.0
Oct	528.2	529.4	0	0
Dec	537.0	538.2	538.0	535.5
Jan	540.3	541.5	0	0
Mar	548.8	550.1	550.0	546.5
May	556.9	558.1	557.0	557.0
Jul	565.3	566.5	0	0
Sep	573.7	574.9	575.5	573.0
Dec	585.7	586.9	586.0	585.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	125.45	124.65	125.65	125.20
Sep	125.45	123.90	127.00	124.20
Oct	124.15	122.90	0	0
Dec	121.65	121.00	123.00	121.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	18.96	18.80	19.01	18.83
Oct	18.52	18.43	18.59	18.37
Nov	18.30	18.23	18.34	18.16
Dec	18.18	18.11	18.20	18.07
Jan	18.04	18.01	18.08	17.99
Feb	17.94	17.94	17.98	17.89
Mar	17.86	17.89	17.95	17.86
Apr	17.89	17.85	17.89	17.89
May	17.81	17.81	17.81	17.81
Jun	17.78	17.78	17.78	17.78

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5150	5103	5100	5100
Oct	5210	5162	5240	5170
Nov	5275	5224	5280	5240
Dec	5335	5267	5345	5290
Jan	5325	5294	5350	5305
Feb	5236	5204	5260	5220
Apr	4880	4824	4890	4875
May	4740	4709	4740	4740

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Sep	1108	1154	1140	1100
Dec	1121	1178	1160	1109
Mar	1126	1177	1162	1118
May	1144	1198	1178	1134
Sep	1182	1235	1195	1175
Jul	1163	1016	1195	1150
Dec	1203	1255	1215	1175

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	79.00	77.11	79.00	76.75
Dec	81.25	79.11	81.25	79.00
Mar	83.60	81.81	83.60	81.50
May	85.50	84.60	85.50	83.20
Jul	87.50	85.90	87.50	86.00
Sep	89.50	88.00	89.25	88.50
Dec	92.50	90.38	92.50	92.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.35	13.38	13.40	13.33
Jan	12.37	12.40	0	0
Mar	12.54	12.63	12.67	12.53
May	12.32	12.41	12.44	12.31
Jul	12.15	12.27	12.25	12.14
Oct	11.93	12.00	12.00	11.90

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	75.60	74.80	75.70	74.75
Dec	76.66	75.61	76.70	75.65
Mar	77.45	76.55	77.45	76.35
May	77.35	77.00	77.55	76.98
Jul	77.50	76.78	77.50	76.80
Oct	72.04	71.80	72.00	71.85
Dec	68.35	68.35	68.60	68.45

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	162.25	159.65	164.50	161.00
Nov	148.40	144.60	147.50	146.10
Jan	142.75	142.25	142.40	141.50
Mar	141.75	141.25	0	0
May	140.60	140.50	141.10	140.75
Sep	139.80	139.30	0	0
Nov	139.80	139.30	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 18	Aug 18	mnth ago	yr ago
1900.1	1903.5	1944.5	1850.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.34	129.21	128.80	132.89
Futures	129.97	129.82	129.46	136.31

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	628/0	615/6	629/0	612/0
Sep	594/0	584/0	596/0	576/4
Nov	588/4	577/6	592/0	570/6
Jan	597/2	586/6	600/0	581/4
Mar	606/0	598/2	610/0	590/4
May	614/4	606/4	616/0	601/0
Jul	616/0	609/6	619/0	602/0
Aug	606/0	604/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.21	17.97	18.22	17.75
Sep	18.31	17.98	18.35	17.78
Oct	18.54	18.22	18.55	18.05
Dec	18.97	18.59	18.99	18.50
Jan	19.22	18.85	19.25	18.78
Mar	19.62	19.27	19.65	19.20
May	19.90	19.66	19.90	19.60
Jul	20.20	20.00	20.20	19.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	210.2	203.7	210.5	203.0
Sep	193.7	190.1	193.8	188.3
Oct	186.8	182.4	187.0	181.0
Dec	184.9	181.3	185.5	180.0
Jan	184.5	151.2	186.5	181.0
Mar	185.4	182.5	186.0	182.0
May	186.6	183.5	187.0	185.5
Jul	187.0	185.0	187.0	182.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	234/6	234/6	237/0	231/6
Dec	236/6	236/6	239/0	233/2
Mar	243/6	244/0	246/0	240/4
May	249/2	249/4	251/4	246/4
Jul	250/4	251/0	253/2	248/4
Sep	243/0	243/0	0	0
Dec	241/0	240/6	242/4	240/0
Dec	233/4	237/0	233/4	233/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	390/2	392/2	391/0	387/2
Dec	405/0	407/2	408/2	402/4
Mar	411/0	414/6	412/4	408/6
May	400/4	401/6	401/0	397/4
Jul	368/2	368/4	369/0	365/0
Sep	370/4	372/4	370/4	370/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	74.10	74.75	74.45	74.10
Oct	74.97	75.72	75.40	74.35
Dec	73.72	74.27	73.95	73.25
Feb	73.05	73.58	73.35	72.80
Apr	74.05	74.57	74.60	73.85
Jun	71.97	72.50	72.22	71.77
Aug	70.25	70.86	70.75	70.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	40.87	41.05	40.97	40.30
Dec	41.75	42.27	42.15	41.30
Feb	42.75	43.02	43.05	42.40
Apr	40.77	40.82	40.85	40.40
Jun	46.32	46.32	46.40	44.96
Jul	45.80	45.80	46.80	45.50
Aug	44.05	44.06	44.10	43.95
Oct	41.00	0	41.30	41.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	26.80	27.17	27.20	25.62
Feb	41.27	42.57	42.10	40.95
Mar	41.36	42.30	42.10	40.95
May	42.75	43.77	43.00	42.35
Aug	42.00	43.45	0	42.00

LONDON STOCK EXCHANGE

Drug stocks again feature equities

ANOTHER slack August day's trading provided the backdrop for a cluster of special situation stocks in the UK equity market yesterday. The big investment funds stayed out of the way ahead of tomorrow's publication of the UK trade figures for July but speculative interest was maintained by the defence documents from BAT Industries and Plessey, the two most notable current targets, and also the bid from Japan for Lyphomed, the US pharmaceutical company.

The move against Lyphomed from Fujisawa Pharmaceuticals which already holds 30 per cent of the equity of the US firm, fed the interest among the UK drug stocks which had already been re-ignited by last week's favourable US regulatory reference to Wellcome's anti-Aids product. The Japanese move also reinspired the search for the next takeover candidate in the international pharmaceuticals industry in the wake of the merger of the successful merger of SmithKline and Beecham.

Speculative interest was fuelled by reports that a leading US securities house had put together a consortium of takeover prospectors with a £35bn war chest primed for the London equity market.

However, none of these prospects did much for the broad range of equities which again fluctuated widely in thinnish trading. Many blue chips saw only modest turnover.

The market opened briskly, helped by a firm pound, and made good progress until some selling of the Footsie futures contract unsettled the leaders. Early gains were reversed, but then recovered again as takeover speculation re-asserted itself. The impetus was then again lost when Wall Street made a slow start and by the end of the day, London shares had little to show for themselves.

The FT-SE Index, briefly at 2,388.8, closed the session at 2,374.7, finally 0.4 down on the day. Seaq volume of 349.7m compared with the unimpressive 378.4m of Friday's similarly lethargic session.

The UK GDP figures were taken calmly, although the fall of 0.4 per cent in the second quarter, the first quarterly dip since 1985, contrasted with expectations in the City of another small gain.

The data appeared to confirm the general view that, "domestic output and demand are slowing down quite sharply now," according to Mr John Reynolds of Prudential-Bache.

The stock market appears resigned, however, to the improbability of any reduction in domestic interest rates before the Spring. Analysts still warn of wage pressures, and of the danger these could pose for sterling. For the near term, however, the stock market is sanguine ahead of the UK trade figures news, and prepared to see a modest reduction in the June deficit of £1.5bn on current account.

Account Dealing Dates

First Dealings: Aug 14	Sep 4	Sep 18
Option Declarations: Aug 31	Sep 14	Sep 28
Last Dealings: Sep 1	Sep 15	Sep 29
Account Day: Sep 11	Sep 25	Oct 9

*New time dealings may take place from 9.00 am two business days earlier

Another shot in the arm

The pharmaceutical sector was galvanised for the second trading day in succession. A $750m bid by Japanese pharmaceutical company Fujisawa for Lyphomed of the US came hard on the heels of Friday's encouraging news on the effectiveness of Wellcome's anti-aids drug Retrovir.

Wellcome traded around 15 better ahead of the bid announcement then shot ahead to touch 737p before settling back at 729p, up 56 on the day. "People are still more likely to upgrade than downgrade even at this level," said one analyst.

Other drug stocks caught the mood after dull starts and between them constituted nearly one quarter of FTSE 100 risers. Fisons, which was locked in a wrangle with Lyphomed earlier this year over the right to supply an anti-pneumonia preparation in the US, added 11 at 356p. There has been long-running speculation that Fisons is a bid target, and some in the market felt that Fujisawa had shown itself to be a potential bidder.

But most analysts see a bid for Fisons as unlikely, especially from Fujisawa, as Lyphomed is known for its generic drugs, and is therefore attractive for its brands and customers rather than the research which makes Fisons desirable. Glaxo also firmed 6 to 1533p, while ICI bounced back from an uneasy week to close 18 ahead at 1287p. Reckitt and Colman advanced 12 to 1224p and Smith and Nephew managed a 2 improvement, as did Boots, to 145p and 297p respectively.

BAT hint

A close inspection of BAT Industries' stout defence against the Hoylake offer, and particularly chairman Sir Patrick Sheehy's concern about the stock market valuation of BAT shares compared with the underlying value of its businesses, was taken to mean that a re-structuring of the group was not entirely out of the question.

Sir Patrick said: "We have never taken a short-term view of the group but we appreciate that planning for the future remains a problem while the gap in value remains. We have, for some time, been considering ways in which this gap can be eliminated; clearly this task is now more urgent."

US operators took the hint more seriously than London. While UK investors stood around, traders noted a succession of medium-sized buying orders which, in fairly thin trading, raised shares BAT shares 20 to 833p. The UK conglomerate also announced interim profits some 20 per cent higher at £813m along with a 22 per cent rise in the half-year dividend payment.

Midland stand out

Speculation that Hongkong and Shanghai Bank might be ready to increase its 14.9 stake lifted Midland Bank against the trend. The shares initially opened weaker but a sharp reversal of fortunes in mid-afternoon saw the price rise to a high of 378p, before it dropped back to close 11 better at 373p on turnover of 4.8m.

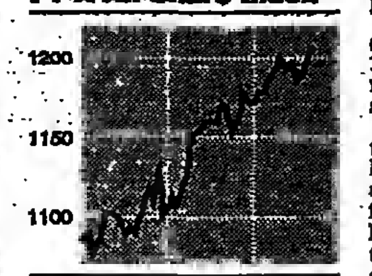
Dealers said that the sudden pick up in the price was down to two reasonably sized buying orders left over from last Friday. As marketmakers moved in to close the orders (one house was completing the purchase of 800,000 shares) the Midland price shot ahead as rival traders brought their prices into line.

The underlying market story, that Hongkong and Shanghai would increase it stake, was greeted cautiously. When the Far Eastern bank bought the holding in November 1987 it agreed not to add to it or reduce it without the prior permission of Midland. That standstill agreement holds until November 1990 and few analysts could see why either party would want to change it.

Speculators may have been moving into Midland, suggested one analyst, in time for this morning's interim figures from Hongkong and Shanghai, which could be accompanied by some sort of announcement about the bank's stake in Midland. There has also been some vague talk in the City recently of a possible tie-up between the UK bank's merchant arm Midland Montagu, and James Capel, the London-based agency broker owned by Hongkong and Shanghai.

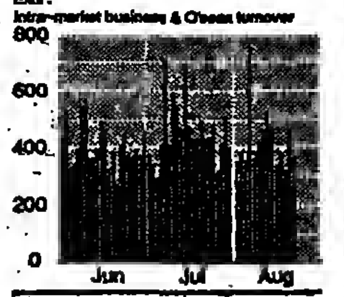
Concern about what some analysts believe was an overgenerous dividend and further profit-taking took the gloss off Royal Insurance. The composite group's shares dropped 5 to 433p in spite of a profits upgrade from BZW, the securities house. BZW has raised its estimate for current year earnings by £27m to £245m and for next year by £16m to £190m. BZW is, however, recommending investors to take profits in Royal in the short-term.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excl: Intra-market business & O'seas turnover



Sedgwick, the insurance broker, climbed 9 to 259p after BZW reiterated its buy recommendation; the sector's interim reporting season starts in early September and BZW expects an encouraging set of figures from Sedgwick.

Among mixed brewers Bass and Whitbread "A" posted the only gains, adding 7 at 1126p and 2 at 381p respectively, in light trade. Selective interest from agency brokers failed to lift Allied Lyons, unchanged at 542 on turnover of 1.2m shares, while profits were taken after last week's gains in Guinness, down 6 at 588p, and Grand Metropolitan, down 3 at 633p. Speculators were cautious of moving into Scottish & Newcastle ahead of Thursday's annual meeting, and the shares dropped 1½ to 409p on trade of 1.3m.

Carlton Communications were a firm market in small volume, rising 21 to 881p. Dealers said the rise stemmed from demand for Carlton late last Friday when one buyer was bidding for stock on the inter-dealer broker network some five pence above the market's best price at the time. This, combined with interest in the ADRs in New York, left the market short yesterday and prompted the early gains.

Queens Moat closed down 6½ at 115½p following the 1-for-4 rights issue launched to raise £141m towards the acquisition of three UK hotels.

Tarmac shares maintained their recovery to 293p, up 4, but Marley traded cautiously awaiting Thursday's interim figures, and ended 6 off 144p. Mr Simon Brown of Prudential-Bache thinks they will be of some disappointment to the market. "The shares look fundamentally overvalued but the bid speculation will not go away," he advised.

Sharply increased half-term profits put EBC, the construction company, up 10 to 195p while Stanley Miller pushed higher still to 304p on Newcastle development prospects.

Rentokil were prominent ahead of today's first-half results and ended 19 higher at 401p. County NatWest WoodMac expects the group to unveil profits in the £27.5m to £29m range. This would reinforce the securities house view that Rentokil is an excellent long-term growth stock. However, it also believes that the share price has run ahead of events of late and recommends holders to take some profits.

Caird's acquisition of a near-5 per cent stake in fellow green stock Leigh Interests put the latter up 14½ to 373p.

Further unsubstantiated talk of stock buying-in and what would have been a very rare analyst's visit helped GUS "A" buck the trend, putting on 26 to close at 1110p in modest trade. Dealers said that a late buying order from Friday, completed this morning, was the genuine reason for the rise.

Among the other retailers to report advances were Burton, up 8 at 259p on turnover of 2.4m shares and buoyed by several brokers' recommendations and interest in the New York-quoted ADRs, and Kingfisher, up 5 at 341p.

A notable decline was posted by Body Shop, down 12 at 458p and ending several weeks of solid gains. County NatWest WoodMac has moved the stock from a buy to a hold.

The defence document from Plessey against the GEC/Siemens bid cut little ice in the stock market, where Plessey shares remained unchanged at 266p, signalling once again the belief that the acquisition of the defence and electronics group is effectively complete. Turnover was sluggish, with only 241,000 Plessey shares traded as a few more investors decided to take their cash at a discount in the marketplace rather than pursue the lengthier process of accepting the consortium's cash terms of 270p a share.

GEC, little changed at 276p, attracted turnover of 2.3m shares, with the market continuing to take a positive line on the outlook for the group.

Japanese buying was behind a firm performance from British Steel. It closed a penny to the good at 78p on only moderate volume for the stock of 7.7m shares.

The announcement of a small order of Airbuses did little for British Aerospace shares which fell 9 to 701p.

The market awaited confirmation, or otherwise, of recent tales of UK Government and Far Eastern contacts for Trafalgar House. The shares firmed 6 to 417p on good volume.

A weekend press suggestion that Sunningdale, the Goldsmith/Rothschild/Packer controlled vehicle, may offer its 29.9 per cent stake in Ranks Hovis Macdougall to US buy-out specialists Kohlberg Kravis Roberts gave early impetus to the food group's shares. However, the lack of hard information meant that buying interest was muted and the shares dropped from their high of 466p to end 3 better at 462p in thin trade.

Stories of a debate between Eurotunnel and its contractors, which is building a tunnel under the Channel, undermined the stock. It fell 38 to 830p. Mr Richard Hanna, of UBS Phillips & Drew, estimates that the project will cost £6.5bn, compared with the prospectus estimate of around £4.8bn and the last company forecast, earlier this year, of £5.5bn. "The overspending trend we've seen is very worrying," he said.

The announcement that Suter had increased its stake in Hartons Group past 7 per cent helped the latter's shares climb 6 to 58p. But marketmakers soft-pedalled the idea of a full bid, saying that profit-takers had already been seen at this level. Suter eased a penny late to close at 189p.

The £484m bid for De La Rue from rival Norton Opax initially sent the shares in both companies sharply, if uncertainly, ahead. Norton eventually ended 5 weaker at 155p while De La Rue touched 365p before settling a net 28 to the good at 356.

Thames Television confirmed speculation that it was in talks that might lead to the acquisition of Reeves Communications, a US television production and distribution company. Thames shares slid 4 to 560p as analysts said the company might have to pay $100m for Reeves.

Interest continued to flicker in United Newspapers, boosted last week by Mr Conrad Black increasing his stake to 7.5 per cent; turnover was light but the shares rose 16 more to 520p.

Property group Priest Marians tumbled 30 to 505p after the company announced that it will report a pre-tax loss in its second half and will not be paying a dividend for the 1988-89 financial year. The shares would have fallen further, said dealers, but for speculation about the 25 per cent stake held by Mr Simon Fussell, the recently-ousted chairman.

A rise of 5¼ to 382½p in Courtaulds owed much to a morning meeting recommendation from broker Kitcat & Aitken. Sector analyst Mr Lawrence Rubin expects currency considerations to give Courtaulds a short term boost while prospects for the medium term are enhanced by the likelihood of demand picking up when UK interest rates begin to fall.

The shock of a first-half trading loss left Palma down 8 at 60p.

GPG, formerly Guinness Peat Group, came under pressure and fell to 19¼ before settling a net 7 down at 21p. The board was reconstituted earlier this year, and a management buy-out proposed just four weeks ago.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 21

FINANCIAL TIMES STOCK INDICES

	Aug 21	Aug 18	Aug 17	Aug 16	Aug 15	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.60	87.54†	87.56	87.42	87.24	87.62	88.26 (6/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.71	97.59	97.72	97.63	97.59	97.56	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1969.0	1979.0	1975.6	1961.8	1947.8	1477.2	1979.0 (18/8)	1447.8 (3/1)	1979.0 (18/8/89)	49.4 (26/6/40)
Gold Mines	202.0	204.0	203.8	205.2	201.4	194.8	208.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2374.7	2375.1	2360.0	2345.6	2326.2	1832.3	2375.1 (18/8)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.02	4.00	4.01	4.02	4.06	4.62				
Earning Yld %(full)	9.60	9.57	9.56	9.64	9.73	11.66				
P/E Ratio(Net)(*)	12.53	12.59	12.58	12.50	12.38	10.44				
SEAQ Bargains(5pm)	27,046	27,126	28,903	25,188	25,282	20,977				
Equity Turnover(£m)†	-	877.74	839.28	763.05	901.27	626.77				
Equity Bargains†	-	27,855	31,018	21,840	26,995	21,775				
Shares Traded (ml)†	-	358.9	459.3	315.3	395.5	234.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. o Nil 12.42.

Ordinary Share Index, Hourly changes — Day's High 1983.2 — Day's Low 1968.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1981.7	1970.8	1970.4	1970.3	1870.8	1871.8	1972.5	1974.3

FT-SE, Hourly changes — Day's High 2383.8 — Day's Low 2368.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2382.3	2369.8	2369.2	2370.2	2372.0	2375.2	2379.4	2382.0

S.E. ACTIVITY

Indices	Aug 18	Aug 17
Gilt Edged Bargains	78.3	93.8
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5 – Day average		
Gilt Edged Bargains	88.0	81.9
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. ‡ Corrected figure

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,300	198	-2½
Abbey National	11,000	148½	-½
Allied-Lyons	1,200	542	
Amstrad	559	72	-2
Argyll Group	1,600	242	-2
Ass. Brit. Foods	116	389	
BAA	1,700	351	-5
BAT Inds.	2,500	833	+20
BET	900	311	-1
BICC	394	535	-8
BOC	614	531½	-4
BPB Inds.	1,000	253	
BTR	4,200	474	-10
Babcock Int.	795	126	
Barclays	1,200	524	+1
Bass	424	1126	+7
Blue Circle	595	266	-1
Boots	1,725	297	+2
Brit. & Comm.	856	183	
Brit. Aerospace	635	701	-9
British Airways	1,500	195	-5
British Gas	4,158	209½	-1
British Land	4	382	-1
BP	4,900	293½	-1
British Steel	7,700	77½	+½
British Telecom	6,100	261	-3
Burmah Oil	191	656	-7
Burton	2,400	259	+8
Cable & Wireless	1,700	574	-11
Cadbury Schweppes	795	405	-4
Carlton Comms.	642	881	+21
Commercial Union	536	416	+1½
Cons. Gold Fields	197	1480	
Cookson	307	376	-1
Courtaulds	904	382½	+5½
Dalgety	336	415	-2
Dixons	246	166	
Eng. China Clays	405	484	-4
Enterprise Oil	136	578	-2
Fisons	4,600	356	+11
General Accident	98	1008	-2
General Elect.	2,300	276	-1
Glaxo	804	1533	+6
Globe Inv.	11	197½	-½
Glynwed Int.	53	313	
Granada	373	374	-2
Grand Met.	1,000	633	-3
GUS A	361	1110	+26
GRE	2,000	216	+1
GKN	526	467	-5
Guinness	677	589	-6
Hammerson "A"	148	860	
Hanson	5,300	231½	-1
Harrisons & Cros.	422	168	-1
Hawker Siddeley	314	763	-10
Hillsdown Hldgs	1,200	310	-1
IMI	662	241	-2
Imp. Chem.	1,400	1287	+18
Inchcape	582	291	-4
Jaguar	191	405	-2
Kingfisher	1,080	341	+5
Ladbroke	743	328	-1
Land Securities	583	590	-8
Laporte	25	508	
Legal & General	457	351	
Lloyds Bank	1,300	408	+4
LASMO	830	505	-4
Lonrho	998	297	
Lucas	169	705	-6
MB Group	176	216	+1
MEPC	36	580	-4
Marks & Spencer	1,300	218	-1
Maxwell Comm.	75	191	
Midland Bank	4,800	373	+11
Nat. West. Bank	2,400	341	+1
Next	373	137	+1
Northern Foods	132	353	
Pearl	228	526	-3
Pearson	456	814	+10
P & O	134	698	-3
Pilkington	1,400	257½	-2
Plessey	441	266	
Polly Peck Intl.	1,400	296	-1
Prudential	1,800	209	+2
RHM	546	462	+3
RMC	135	760	-4
RTZ	964	550	-7
Racal	1,000	226	-4
Rank Org.	386	977	-12
Reckitt & Colman	106	1224	+12
Redland	44	576	-3
Reed International	341	466	+1
Reuters	53	963	-1
Rolls Royce	2,600	185	-½
Rothmans	41	663	-7
Royal Bk of Scotland	175	429	
Royal Insurance	1,500	433	-5
STC	1,200	363	-4
Saatchi & Saatchi	853	324	+2
Sainsbury	988	287	
Scott & Newcastle	1,300	409	-1½
Sears	2,800	129	-½
Shell Transport	1,100	434	-3
Siebe	148	530	-6
Slough Ests	160	391	-4
Smith & Nephew	2,500	143½	+2
SmithKline Beecham	1,400	577	-7½
Smiths Industries	493	384	-4½
Standard Chartered	739	548	+1
Storehouse	911	137	
Sun Alliance	931	319	+3
T&N	632	260	+2
TSB	817	112	
Tarmac	3,300	293	+4
Tate & Lyle	409	297	-2
Taylor Woodrow	309	293	-3
Tesco	1,200	213	-2
THORN EMI	529	821	-4
Trafalgar House	3,900	417	+6
Trusthouse Forte	339	339	-2
Ultramar	257	330	-2
Unilever	284	651	+2
United Biscuits	610	391	-7½
Utd Newspapers	638	520	+16
Wellcome	7,600	729	+56
Whitbread "A"	687	381	+2
Williams Hldgs.	2,400	264	-2
Wimpey	417	270	-1

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (146). BRITISH FUNDS (15) AMERICANS (6) CANADIANS (1) BANKS (3) BREWERS (3) BUILDINGS (3) CHEMICALS (5) STORES (3) ELECTRICALS (8) ENGINEERING (1) FOODS (11) HOTELS (1) INDUSTRIALS (19) Alexandra W'kwear, Alfa-Laval AB "B", BTR, Do. Wrnts., Baxter Intl., CSR, Christies Intl., Eastern Prod., Fletcher Chlnge., Johnson Cleaners, Meteor, Morgan Crucible, Do. 7½pc Pf., Moelsa Invs., Norfolk House, Pacific Dunlop, Portmeirion Pots., Trafalgar Hse., Wellcome. INSURANCE (4) LEISURE (2) NEWSPAPERS (2) PAPERS (1) PROPERTY (2) TOBACCOS (1) TRANSPORT (2) TRUSTS (37) OILS (9) OVERSEAS TRADERS (2) MINES (8) THIRD MARKET (1).

NEW LOWS (27). BUILDINGS (4) CHEMICALS (1) STORES (2) ELECTRICALS (3) INDUSTRIALS (4) Airsprung, Avon Rubber, C'bell & Armstrong, Silentnight, MOTORS (1) PAPERS (3) PROPERTY (2) TEXTILES (1) TRUSTS (2) OILS (1).

APPOINTMENTS

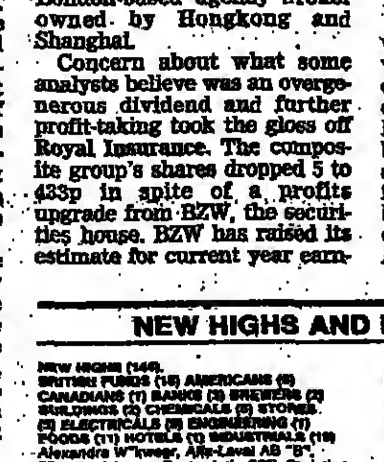
Finance director of Pentos

■ Mr Patrick Hooper has been appointed finance director of PENTOS from September 1. He has been with the group for 12 years, and was finance director of subsidiary Pentos retailing group since 1988.

■ BRITISH TELECOM communications facilities management division has appointed Mr Derek Perkins as central support manager, a new post. He will co-ordinate the group's support programme, including customer training and product documentation, and will also evaluate and test new products. He will be responsible for maintaining quality standards, particularly for the introduction of new network management products. Mr Perkins has been with BT for 26 years, latterly in research and development.

■ Mr Peter Hadsley-Chaplin has been appointed a director of ROWE EVANS INVESTMENTS. Mr S.G. Mee has retired.

■ Mr Adam Seymour has been appointed director - corporate banking services, at CHARTERHOUSE BANK. He was vice-president and UK area head of the leveraged capital division, Citibank.



ASDA PROPERTY HOLDINGS has appointed Mr Charles Briscoe (above) as managing director of its development subsidiary, Asda Property Developments. He was a director with Wheatsheaf Investments, a subsidiary of the Grosvenor Estate.

■ Mr Douglas R.P. Baker has been appointed chairman, and Mr Ken Culley becomes chief executive of the newly-merged REGENCY & WEST OF ENGLAND BUILDING SOCIETY. Mr Baker was until recently chairman of Touche Ross International, and is a director of Hardy Oil and Gas, London International Group, Marrett Holdings, and the London board of Bank of Scotland. Mr Culley was chief executive of the West of England Building Society prior to the merger, and is a director of West of England Homes, and West of England Estate Agents.

■ Mr Richard N. Barnes has been appointed finance director, BRITISH AEROSPACE (MILITARY AIRCRAFT), Warton, Lancs. He was senior vice president -finance, and treasurer, of British Aerospace Inc, Washington DC.

■ SECURITY PACIFIC HOARE GOVETT, a merchant bank, has appointed Mr Paul Kafka as vice president and head of corporate communications, with responsibility for the UK and continental Europe. After six years in banking with Lloyds Bank International and County NatWest, primarily in project finance, he joined Dewe Rogerson as an account director in 1986.

■ Mr Kenneth J. Regan has joined EXECUTIVE SEARCH as a director. He was managing director of Himont U.K.

■ Mr Matthew Paine has been appointed general manager of MIDLAND BANK, Tokyo branch. He was country credit and risk manager for Midland Group in Japan.

■ MIDLAND OAK ESTATES has promoted Mr Richard Gay and Mr Michael Sheard to the board: Mr Gay as director responsible for the London office; and Mr Sheard as director responsible for project management and technical services, at head office, Kenilworth, Warwickshire.

■ Dr Rodney Leach has been appointed a non-executive director of NORTH WEST WATER. He was chief executive of Vickers Shipbuilding & Engineering.

■ Mr Robert V. Wharton, deputy chairman and group chief executive, HIGH-POINT, has been appointed chairman of the Schaer division.

■ TELINDUS, Newbury, has promoted Mr Paul Strawbridge to director of marketing and commerce.

■ Mr Don Willis, sales manager, has been promoted to sales director of BARRATT MANCHESTER.

UNION GROUP has appointed Mr Robert D. Rocklin (above) as finance director. He has been with the group since March last year, and was an audit manager with Price Waterhouse.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

صلة امنه الاصل

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Init. Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	64.18	67.95	71.54	-0.14	4.64
European	5	74.52	75.14	79.93	+0.25	0.09
Far Eastern	5	64.78	67.19	71.47	-0.07	0.62
Growth Inc	5	89.86	93.13	99.07	-0.34	1.39
Growth Acc	5	89.86	93.13	99.07	-0.34	1.39
Income Inc	5	84.57	86.94xd	92.48	-0.06	4.59
Income Acc	5	84.67	87.04xd	92.59	-0.06	4.59
Property Share	5	56.46	56.46	60.18	+0.07	0.99
Smaller Co's	5	57.63	60.18	64.20	+0.14	1.51
Nth American	5	69.34	69.34	74.15	+0.59	1.49
International	5	50.31	50.31	53.90	-0.05	1.39
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Bloomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	115.42	115.42	120.42		0.89
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	65.14	67.72	71.94	+0.12	2.53
YGTB UK Eqty Inc Tr	5¼	62.40	64.75	68.88	+0.01	4.00
YGTB Intl Gwth Tst	5¼	53.88	53.88	57.49	-0.12	0.77

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt. June 7	485.3	503.8		
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund July 31		530.95		4.55
Fxd Int Sec July 31		142.05		10.07
Deposit July 31		100.00		13.25
Charinco/Charishare (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc Aug 16	169.4	173.7	+0.50	10.29
C'inco Acc Aug 16	695.0	712.4	+1.40	10.29
C'share Inc Aug 16	162.0	168.0	-1.00	3.97
C'share Acc Aug 16	178.0	184.8	-0.90	3.97

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Surrey Metro	133.3	140.2		
UK Metro	124.6	131.1	+0.4	
N Am Pn Fd Acc(z)	270.1	284.2	-0.5	
Pac Basin Fd Acc(z)	189.8	199.8	+0.3	
Property(z)	588.2	619.2	+0.2	
Multiple Inv Pens Acc(z)	1534.5	1615.2	-3.4	
Broker Funds				
Prof. Pen. Fd	101.7	107.0	-0.2	
YRA Strategy	125.6	132.1	-0.2	
YRA Performance	107.7	113.4	-0.1	
Laughton Dollar (SE)	142.8	150.3	-0.2	
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	264.6	278.6	+0.2	
Equity Acc	914.0	962.2	+1.4	
Property Acc	508.6	535.4		
Far East Acc	218.8	230.4	-0.3	
European Acc	24.7	26.1	+0.4	
Managed Acc	714.7	752.4	+0.9	
Managed Cap	404.4	425.7	+0.4	
O'seas Earnings Acc	609.9	642.0	+0.6	
Gilt Edged Acc	322.6	339.6	+0.2	
American Equity Acc	492.0	517.9	+0.5	
American Man. Acc	227.1	239.1	+0.1	
American Prop Acc	151.2	159.2	-0.2	
Pen.F.I.Dep.Cap	292.2	307.6	+0.3	
Pen.F.I.Dep.Acc	503.7	530.3	+0.5	
Pen. Prop. Cap	595.8	627.2		
Pen. Prop. Acc	1135.3	1195.1	+0.3	
Pen. Man. Cap	879.7	926.0	+1.0	
Pen. Man. Acc	1674.3	1762.5	+2.3	
Pen.GiltEdg.Cap	321.8	338.8	+0.3	
Pen. Gilt Edg. Acc	501.0	527.4	+0.5	
Pen. Eq. Cap	1458.7	1535.5	+1.9	
Pen. Eq. Acc	2104.4	2215.2	+3.4	
Pen. Am. Eq Cap	163.9	172.6	-0.1	
Pen. Am. Eq Acc	199.3	209.8		
Pen. Far East Cap	261.7	275.3	-0.1	
Pen. Far East Acc	318.2	335.0		
Pen. Euro Cap	29.2	30.8	-0.1	

	Bid Price	Offer Price	+ or -	Yield Gross
City of Edinburgh Life Assurance				
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655				
Managed Inv Tst Fd	61.0	65.0		
Risk & Reward Bond	185.0	195.0		
Guaranteed Cash Fd	130.0	137.8		
Global Growth Fd	127.0	134.0		
Special Sits Fd	95.0	101.0		
UK Blue Chip Fd	123.0	130.0		
Far Eastern	51.0	54.0		
Ivory & Sime Pens Fd	133.8	142.0		
Risk & Reward Pens Fd	196.0	207.0		
Murray J'stone Pens Fd	180.0	190.0		
Inv Strategy Pens Fd	152.0	160.0		
Predator Pens Fd	133.0	141.0		
City of Westminster Assurance (z)				
PO Box 469, 500 Avebury Blvd, Milton Keynes MK9 2NU				
Current Series				
Property Fund	190.0	200.0	+0.0	
Secure Gwth Fund	269.8	284.0	+0.2	
Managed Fund	538.1	566.5	-0.4	
Equity Fund	425.5	447.9	-0.4	
Fixed Interest Fund	168.6	177.5	+0.0	
Far East Fund	363.6	382.8	+4.9	
North American Fund	175.2	184.5	-1.8	
Natural Resources Fund	243.3	256.2	+0.8	
Pension Managed Fund	575.5	605.8	+1.2	
Pension Equity Fund	488.6	514.4	-1.1	
Pensions Fixed Int	176.1	186.4	+0.3	
Pensions European	142.7	150.3	-0.2	
Pensions Intl	149.1	157.0	-0.7	
Pens Adventurous Mgd	198.2	208.7	+0.2	
Pensions Balanced Mgd	182.4	192.0	+0.1	
Pens Conservative Mgd	171.9	181.0	-0.4	
Adventurous Mngd Fd	235.8	248.3	-1.3	
Balanced Mngd Fd	212.7	223.9	-0.8	
Conservative Mngd Fd	205.2	216.0	-0.5	
European Fund	145.0	152.7	-0.1	
International Fund	187.3	197.2	-0.7	
For other prices please telephone 0908 690888				

Clerical Medical/Fidelity International

	Bid Price	Offer Price	+ or -	Yield Gross
MGM Assurance(z)				
MGM House, Heene Rd, Worthing 0903 204631				
UK Equity Acc	280.1	294.9	+0.4	
Special Situations Acc	249.6	262.8	-0.2	
North American Acc	190.5	200.6	-0.2	
Pacific Basin Acc	386.7	407.1	+1.4	
Fixed Interest Acc	267.7	281.8		
Property Acc	210.6	221.7	+0.1	
Deposit Acc	144.5	152.2		
Managed Acc	267.9	282.1	+0.3	
Bonus Gwth Fd Acc	114.5	120.4	+0.1	
Intl Equity Acc	115.6	121.7	+0.4	

	Bid Price	Offer Price	+ or -	Yield Gross
NEL Britannia Assce Co Ltd—Contd.				
New Era Pensions				
Mgd Gilt Edged Fd	103.9	103.9	-0.1	
Mgd Bldg Soc Fd	113.0	113.0		
Mgd Currency Fd	113.2	113.2	+0.1	
Deposit Fd	113.2	113.2	+0.1	
MIM Brit Mgd P'folio	124.2	124.2	+0.2	
Barings Mgd P'folio	114.4	114.4	+0.2	
Fidelity Mgd P'folio	118.2	118.2	-0.1	
G7 Mgd P'folio	117.6	117.6	-0.4	
Gartmore Mgd P'folio	117.8	117.8	+0.1	
Henderson Mgd P'folio	135.1	135.1	+0.4	

Continued on next page

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Premium Life Assurance Co Ltd

Prudential Holborn Pensions Ltd

Scottish Amicable—Contd.

Scottish Equitable Life Assce. Soc.

Skandia Life Assurance Co Ltd—Contd.

Target Life Assurance Co Ltd—Contd.

Noble Lowndes & Partners Ltd

O'Halloran & Co/Cawtrywide

PBR Fund Management Ltd

Roxborough Financial Management Ltd

Rothschild Asset Management—Contd.

Royal Bank of Canada Funds

AEtna Intl Assurance (Bermuda) Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	98	Exch 11pc 1989	99	+	11.03	12.74
99	95	Treas 5pc 1986-89	99	+	5.04	10.16
99	98	Exch 10½pc Cv '89	99	.....	10.33	13.03
101	99	Treas 13pc 1990‡‡	100	.....	12.97	12.13
131	124	Treas 2pc IL '90(184.6)	131	+	2.09	9.98
99	98	Exch 11pc 1990‡‡	99	.....	11.07	12.33
101	99	Exch. 12½pc 1990	100xd	.....	12.50	12.67
[illegible]	91	Treas. 3pc 1990	95	+	3.14	9.46
97	95	Treas 8¼pc 1987-90‡‡	97	.....	8.46	11.44
98	95	Treas. 8pc Cv 1990 ‡‡	97	.....	8.20	10.90
98	96	Treas. 10pc Cv 1990	97	.....	10.21	11.86
93	87	Exch 2½pc 1990	93	+	2.67	7.77
101	98	Treas 11¾pc 1991	100	.....	11.73	12.57
93	89	Funding 5¾pc '87-91‡‡	93	+	6.14	10.06
90	86	Treas. 3pc 1991	90	+	3.31	8.90
100	95	Treas 10pc Cv '91 ‡‡	97	+	10.22	11.28
101	97	Exch. 11pc 1991	99	+	11.03	11.11
94	91	Treas. 8pc 1991	93	+	8.52	11.05
106	102	Treas 12¾pc 1992‡‡	104	+	12.22	10.65
99	95	Treas 10pc 1992	98	+	10.16	10.73
94	91	Treas. 8pc 1992 ‡‡	93	+	8.54	10.79
100	96	Treas 10½pc Cv 1992‡‡	99	+	10.56	10.72
85	82	Treas. 3pc 1992	85	.....	3.51	8.93
105	101	Exch. 12¼pc '92	103xd	+	11.79	10.68
109	104	Exch 13½pc 1992	107xd	+	12.56	10.60
94	90	Treas 8¼pc 1993	93	+	8.81	10.46
100	95	Treas 10pc 1993‡‡	98	+	10.10	10.33
108	103	Treas 12½pc 1993‡‡	106	+	11.73	10.39
88	84	Funding 6pc 1993‡‡	88xd	+	6.83	9.68
113	108	Treas 13¾pc 1993‡‡	111	+	12.33	10.30
94	89	[illegible] 8½pc 1994	93	+	9.09	10.33
117	112	Treas 14½pc 1994‡‡	115xd	+	12.56	10.17
113	107	[illegible] 13½pc 1994	111	+	12.11	10.33
100	95	Treas. 10pc Ln. 1994‡‡	99	+	10.07	10.16

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
110	104	Exch. 12½pc 1994	108xd	+	11.54	10.32
[illegible]	91	Treas 9pc 1994‡‡	95	+	9.44	10.15
[illegible]	102	Treas 12pc 1995	106	+	11.23	10.29

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	98	N'wide Anglia 11½pc 29.8.89	99	.....	11.57	14.08
99	99	Do. 12¼pc 18.9.89	99xd	.....	12.41	13.82
99	99	Do. 12¼pc 2.10.89	99	.....	12.35	13.92
99	98	Do. 11¾pc 6.11.89	99	.....	11.89	13.95
[illegible]	98	Do. 12¼pc 4.12.89	99	.....	12.39	13.81
100	99	Do. 12¾pc 2.1.90	99	.....	12.87	13.82
100	98	Do. 12½pc 29.1.90	99	.....	12.64	13.70
[illegible]	98	Do. 12¾pc 26.2.90	99	.....	12.76	13.75
[illegible]	98	Do. 12¾pc 19.3.90	99	+	12.93	13.84
100	99	Do. 13¼pc 23.4.90	99	.....	13.42	13.77
[illegible]	99	Do. 13pc 14.5.90	99	.....	13.06	13.71
[illegible]	98	Do. 13¾pc 4/6/90	99	.....	13.70	13.67
100	100	Do. 14¼pc 2.7.90	100	.....	14.24	13.59
100	100	Do. 13¾pc 23.7.90	100	.....	13.62	13.46
104	98½	Do. 3¾pc IL Ln 2021	104xd	.....	4.29	4.40

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	45	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	40	Greek 7pc Ass	40	.....	3.50	18.75
45	40	Do 6pc 28 Stb Ass	40xd	.....	3	17.50
45	40	Do 4pc Mixed Ass	40xd	.....	3	15.00
80	65	Hung '24 Ass	80	.....	2.75	13.57
139	128	Hydro Quebec 13pc 2011	135	+	15.09	10.71
128	118	Iceland 14½pc Ln 2016	126xd	+	14.50	11.33
97	91½	Ireland 9¾pc '91-96	92xd	.....	9.75	11.40

AMERICANS

Continued on next page

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

1989 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
23⅝	16¼	Greyhound $1½	22½	.....	$1.32	–	3.7
14¼	847p	Hasbro Inc 50c	13⅝	+¼	16c	–	0.7
56¼	32¾	Honeywell $1½	55⅛xd	–⅛	$2.10	–	2.4
21⅛	15¼	Houston Inds. ‖	21¼	+¼	$2.96	–	8.8
74⅝	63⅛	IBM Corpn $1¼	73¼xd	–⅛	$4.84	–	4.2
60p	45p	♥Image Storage/R Sys 1c	58p	+3	–	–	–
30⅜	18¾	Ingersoll-Rand $2	30⅜xd	.....	$1.20	–	2.5
33	22½	Lockheed Crpn. $1	31⅞xd	–⅛	$1.80	–	3.6
22⅝	15⅛	Lone Star Inds $1	22⅜	+⅛	$1.90	–	5.4
26	17½	Louisiana Land 15c	26xd	+⅛	$1.00	–	2.4
18½	11½	Lowe's 50c	18¼	.....	48c	–	1.6
26¾	15⅞	Manuf. Hanover $1	26⅜	–⅛	$3.28	–	7.9
22⅝	13¼	Merrill Lynch $1	22¼	+⅛	$1.00	–	2.8
2352p	1910p	Molex Inc	2123p	–25	3.2c	–	–
27⅞	18⅞	Morgan (JP) $2½	25⅛xd	.....	$1.66	–	4.0
101⅞	99⅛	Morris (Philip)	99⅛	–1⅛	$4.50	–	2.8
54½	36⅛	NYNEX $1	50¼	+½	$4.36	–	5.4
24⅝	18¾	PHH Corp ‖	23¼	.....	$1.12	–	3.0
259p	180p	♥Pacific Agr. §	100p	.....	–	–	–
27¼	19	Pacificorp $3¼	26⅝xd	+⅛	$2.76	–	6.3
28½	16¾	Pacific Telesis 10c	28½	+½	$1.88	–	4.2
22¼	15¼	Pall Corp. 25c	21¼	+¼	48c	–	1.4
55⅜	39¾	Pennzoil 83 1/3c	53⅞xd	+⅜	$3.00	–	3.6
42¼	28⅛	Quaker Oats $5	41	+⅛	$1.20	–	1.9
32⅜	23½	Rep NY Corpn $5	31⅞xd	+⅛	$1.28	–	2.5
13⅞	11⅞	Rockwell Intl. $1	14⅛xd	+⅜	78c	–	3.3
35½	21⅞	Southwestern Bell $1	35¼	+⅝	$2.60	–	4.7
27⅞	17⅞	Sun Co. Inc. $1	24⅞xd	.....	$1.80	–	4.7
30⅜	22⅞	TRW Inc. 62½c	30⅜	.....	$1.72	–	3.5
22⅞	14⅞	TW Services $5	22⅞	.....	10c	–	0.3
38⅞	26¾	Tenneco $5	38¼	+⅛	$3.04	–	5.0
35⅞	28	Texaco $6.25	33⅞xd	+⅛	♦$3.00	–	5.6
28⅞	21⅝	Texas Instr. $1	24⅞xd	+⅜	72c	–	1.8
117⅞	58⅝	Time Inc. $1	90½	–⅞	$1.00	–	0.7
18⅞	15⅞	TPINOVA Corp	18⅞xd	+⅞	s68c	–	2.3
24⅞	16	USX $1	21⅞xd	–⅛	$1.40	–	4.1
252p	126p	♥Unilab	252p	.....	–	–	–
35	22¼	Utd. Technologies	34⅞xd	+¼	$1.60	–	2.9
158p	128p	♥Utilitech Inc	149p	+2	–	–	–
46½	31½	US West‖	45⅜	+⅜	$3.76	–	5.2
37⅝	22⅝	Waste Management $1	37⅝xd	+⅝	48c	–	0.8
20¼	13½	Whirlpool $1	19¼	–⅛	$1.10	–	3.6
24⅞	16⅞	Whitman Corp	21⅞	–⅞	$1.02	–	3.0
41¼	28⅛	♥Woolworth $3½	40¾	+½	$1.88	–	2.9

CANADIANS

1989 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
168p	129p	♥A&M Gold Corp ‖	156p	.....	–	–	–
25½p	4½p	♥Abbot Energy Corp	25p	.....	–	–	–
16½	902p	♥Amer Barrick Res	16½	.....	–	–	–
28p	10½p	♥Armeno	17p	–2	–	–	–
344p	94p	♥Asiamerica Hldgs‖	318p	–13	–	–	–
33½p	8½p	♥Augmitto Expln	16p	.....	–	–	–
18⅝	12⅞	Bk. Montreal ‖	18¼	–⅛	$2.12	–	6.6
10⅛	655p	Bk. Nova Scot. ‖	982pxd	–6	92c	–	4.8
821p	599p	♥BC Gas $1	012p	+6	60c	–	3.8
22⅝	17	BCE ‖	22½	–⅛	$2.44	–	5.6
848p	570p	♥Bow Valley‖	751p	+7	♦40c	–	2.7
17	12¼	♥Brascan‖	16¾	–⅛	88c	–	2.7
228p	144p	♥Brealwater Res	152p	–2	10c	–	3.4
17¼	11¼	Can. Imp Bank‖	16¼	–⅛	$1.24	–	3.9
588p	374p	Central Capital "A" 1	582p	.....	–	–	–
499p	340p	♥Corona Corp.	494p	.....	–	–	–
381p	228p	♥Cons TVX Min	379p	+14	–	–	–
775p	524p	♥Derlan Inds. ‖	650p	.....	11.75c	–	0.9
10¼	751p	♥Echo Bay Mines	10½	.....	$0.07	–	0.4
572p	336p	♥ECO Corp ‖	454p	.....	–	–	–
236p	173p	♥Galactic Resources	173p	.....	–	–	–
417p	243p	Gandalf Techs. Inc	402p	–2	–	–	–
186p	129p	Granges Inc. ‖	176p	+3	–	–	–
27½p	5¼p	♥Gt. Pacific Res.	8p	.....	–	–	–
812p	651p	♥Gulf Canada‖	721p	–50	52c	–	3.7
14½	10¼	♥Hawker Sid Can‖	14⅜	–⅛	$1.08	–	3.9
653p	348p	♥Henlys Group	609p	–14	–	–	–
18⅞	11⅞	♥Hudson's Bay ‖	17⅜	+⅜	60c	–	1.7
31⅛	23	♥Imperial Oil‖	50⅜	–⅛	$1.80	–	3.0
22⅛	14⅞	Inco‖	22⅞	.....	s$0.80	–	2.2
290p	102p	♥Madeleine Mines	179p	+3	–	–	–
193p	121p	♥Muscocho Expln	135p	+5	–	–	–
126p	84¼p	♥Nevada Goldfields	95p	–2	–	–	–
593p	512p	Nova Corp of Alberta	538pxd	.....	42c	–	4.0
14½	10⅞	♥Rio Algom	14¼	–⅛	85c	–	3.0
25⅝	17¼	Royal Bk. Can. ‖	25⅜xd	+⅞	$2.20	–	4.4
47¾	33⅞	Seagram‖	50	–⅛	US$1.40	–	1.8
112p	74½p	♥Sonora Gold Corp‖	93p	–2	–	–	–
109p	42½p	♥Tam Pare Tech. Corp‖	57p	–13	–	–	–
11⅞	806p	Toronto-Dom. Bk‖	11⅞	–⅛	h76c	–	3.4
897p	686p	♥Trans Can Pipe	887p	+1	68c	–	3.9
184p	145p	Varity Corp‖	171p	–2	B–	–	–

BANKS, HP & LEASING

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*278	216	ANZ $A1	241	–3	♦Q34½c	2.0	6.9	7.3
162	143	Abbey National 10p	148½	–½	L7.7	2.7	6.9	6.1
*182	120½	Allied Irish Ord	165	.....	♦Q68%	3.3	4.3	4.8
£13½	£11⅞	Algemene Fl.10	£13¼	–⅛	Q27%	1.9	5.9	–
*80	61	Anglo Irish	75	.....	♦Q12½%	4.0	5.3	12.7
79	75	Ansbacher (H.) 1p	75	.....	2.0	–	3.6	–
£68⅞	£38⅛	Bancaire Cie Fr100	£63⅝	–3⅞	Q12½%	–	1.5	–
£45⅞	£35⅞	Banco Bilbao Viz	£45⅜	–⅞	Q35.7%	2.0	2.8	17.6

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

Stock	Price	+ or −	Div Net	Cvr	Yld Gr's	P/E
Scott Pickford 10p	17		d0.38	3.8	3.1	10.8
Seacon Hldgs	149	−1	2.5	6.1	2.2	9.3
Sleepy Kids 5p	32		–	–	–	–
Stats Hldgs 5p	7½		–	–	–	13.0
Swanyard Studios 1p	2		–	–	–	●
Systems Connections 2½p	7		–	–	–	9.2
Tavern Leis 20p	42	+2	–	–	–	–
Tomorrows Leisure 20p	96	−2	–	–	–	47.8
Tullow Oil 10p	18	+½	–	–	–	–
UPL Group 10p	82	−3	2.75	1.9	4.5	15.5
Unit Group	146		5.0	3.3	4.6	8.3
Video Magic Leis. 1p	96		W2.0	0.7	2.8	77.0
Vista Ems 5p	9¼		–	–	–	–
Vizcaya Hldgs 5p	35		–	–	–	–
Whitegate Leisure 20p	42½	+1	–	–	–	–
Do. Wrrnts.	29		–	–	–	–
Wilton Group 1p	6		–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ○ Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference Dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

Stocks previously listed under Shipping are now included in the Transport sector, as are others heretofore dispersed under several other headings.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	97	....
Craig & Rose £1	830	.....
Finlay Pkg. 5p	86	.....
Holt (Jos) 25p	1343	+13

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£90½	.....
9pc Cap Ln. 1996	£100½	...
Fin. 13% 97/02	£121¼	.....
Arnotts	420	+5
Carroll (P.J.)	160	+1
Hall (R. & H.)	168	.....
Helton Hldgs	93	+13
Irish Ropes	212	+7
United Drug	130	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit. Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	50
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	08
Reed Intl	54
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	10
Wellcome	42

Property

Stock	p
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils

Stock	p
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Stock	p
Cons Gold	150
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Large order for sterling

STERLING ROSE sharply yesterday, as a very large buying order came into London from the Middle East. Dealers said the move appeared to follow the maturing of Japanese Government bonds.

It was estimated that about 3 per cent of the Japanese bonds in circulation matured yesterday, releasing some £10bn of liquidity. Market sources suggested that about 10 per cent, or £1bn of these bonds, were held by the Saudi Arabian Monetary Authority and a substantial part of this money was moved into sterling, against the background of high London interest rates and signs of improvement in the British economy.

Sterling broke through technical resistance at $1.5700 and through a further resistance point at $1.5750, to close 1.30 cents higher on the day at $1.5785. Demand for the pound also took it through resistance at DM3.0820, to a peak of DM3.0850, before sterling finished at DM3.0800 against DM3.0625 on Friday.

In terms of other major currencies the pound rose to Y224.75 from Y223.50; to SFr2.6525 from SFr2.6400; and to FFr10.3875 from FFr10.3250. According to the Bank of England sterling's exchange rate index rose 0.5 to 91.5.

There was no immediate sign of where the funds went that were moved into the pound, but the gilt market was quiet and there was also no indication of heavy buying of equities. It may therefore be assumed that a large amount of sterling has been parked on short term deposit in the money market looking for a more permanent home. Whether this is London could depend on tomorrow's UK trade figures for July.

Yesterday's publication of second quarter UK Gross Domestic Product data had no strong impact on the market, but tended to confirm the recent slowdown seen in the economy and were regarded favourably.

Second quarter GDP showed a surprising fall of 0.4 per cent, against a revised rise of 0.1 per cent in the first quarter. This slowed year-on-year growth to 1.6 per cent in the second quarter from 2.4 per cent in the first and from 4.6 per cent in the same period last year.

This followed last Friday's news of the first fall in Britain's inflation rate for 19 months and also came after figures indicating a sharp down turn in the level of retail sales.

A more optimistic view of the economy has led to forecasts of an improvement in the UK trade position. A survey by MMS International suggests a small narrowing of the current account deficit to £1.4bn in July from £1.5bn in June, but some City estimates are for a figure below £1bn.

As attention focused on sterling the dollar was contrastingly quiet. The Bank of Japan intervened to sell an estimated $200m in Tokyo. This discouraged any thoughts of pushing the US currency up to resistance at DM1.97 against the D-Mark and led to profit taking.

The dollar fell to DM1.9515 from DM1.9555; to Y142.40 from Y142.75; to SFr1.6805 from SFr1.6860; and to FFr6.5800 from FFr6.5950. On Bank of England figures the dollar's index fell to 71.3 from 71.4.

£ IN NEW YORK

Aug.21	Latest	Previous Close
£ Spot	1.5770-1.5780	1.5655-1.5665
1 month	0.63-0.62pm	0.62-0.61pm
3 months	1.90-1.86pm	1.81-1.78pm
12 months	6.28-6.18pm	5.90-5.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.21	Previous
8.30 am	91.0	91.1
9.00 am	91.0	91.0
10.00 am	91.3	91.1
11.00 am	91.3	91.0
Noon	91.3	91.1
1.00 pm	91.3	90.9
2.00 pm	91.4	91.0
3.00 pm	91.5	91.0
4.00 pm	91.5	91.0

CURRENCY RATES

Aug.21	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling §	-	1.25434	1.48209
U.S Dollar	7	1.24846	1.05932
Canadian $	12.36	1.47143	1.24575
Austrian Sch.	5	17.2450	14.6260
Belgian Franc	7.75	51.2056	43.4399
Danish Krone	9½	9.51639	8.06457
Deutsche Mark	5.00	2.44648	2.07732
Neth. Guilder	6.00	2.75910	2.34193
French Franc	9½	8.26793	7.00366
Italian Lira	13½	1757.92	1489.61
Japanese Yen	3¼	178.904	151.270
Norway Krone	8	8.93023	7.56351
Spanish Peseta	-	153.059	129.671
Swedish Krona	9½	8.28853	7.01690
Swiss Franc	5.5	2.10802	1.79077
Greek Drach.	20½	210.690	178.706
Irish Punt	-	0.917852	0.778164

§ Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Aug.18

CURRENCY MOVEMENTS

Aug.21	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.5	-20.0
U.S Dollar	71.3	-6.5
Canadian Dollar	105.5	+1.6
Austrian Schilling	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	139.5	[illegible]

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4399	+2.31	+1.08	±1.5424
Danish Krone	7.85212	8.06457	+2.71	+1.48	±1.6419
German D-Mark	2.05853	2.07732	+0.91	-0.32	±1.1019
French Franc	6.90403	7.00366	+1.44	+0.21	±1.3719
Dutch Guilder	2.31943	2.34193	+0.97	-0.26	±1.5019
Irish Punt	0.768411	0.778164	+1.27	+0.04	±1.6689
Italian Lira	1483.58	1489.61	+0.41	-0.21	±4.0815
Spanish Peseta	133.804	129.671	-3.09	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Aug.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5600-1.5780	1.5780-1.5790	0.67-0.65cpm	5.02	1.84-1.81pm	4.62
Canada	1.8385-1.8530	1.8520-1.8530	0.26-0.18cpm	1.43	0.72-0.59pm	1.41
Netherlands	3.45¼-3.47½	3.46¾-3.47¾	2¼-1⅞cpm	6.91	5⅛-5⅛pm	6.34
Belgium	64.00-64.50	64.35-64.45	33-30cpm	5.87	86-82pm	5.22
Denmark	11.91½-11.99¾	11.98¾-11.99¾	5¼-4¼orepm	4.94	13¼-12¾pm	4.25
Ireland	1.1505-1.1560	1.1540-1.1550	0.45-0.40pm	4.42	1.15-1.05pm	3.81
W. Germany	3.06½-3.08¾	3.07¾-3.08¾	1¾-1¾pfpm	7.06	5⅛-4⅞pm	6.49
Portugal	255.35-258.60	257.60-258.60	32-16cpm	1.12	8-72dis	-0.62
Spain	191.30-192.90	192.10-192.40	2-15cdis	-0.53	22-39dis	-0.63
Italy	2202-2210¾	2206¾-2207¾	5-3lirepm	2.17	9-7pm	1.45
Norway	11.17¼-11.25½	11.24¼-11.25¼	3¼-2⅞orepm	3.20	6⅞-6⅛pm	2.36
France	10.35-10.41¼	10.38¾-10.39¾	4½-4¼cpm	5.13	12¼-11⅞pm	4.62
Sweden	10.37-10.45	10.44-10.45	2½-1¾orepm	2.30	5⅛-4⅞pm	1.96
Japan	223½-225¼	224¼-225¼	1¾-1⅝ypm	9.01	4⅝-4½pm	8.12
Austria	21.59-21.76	21.67-21.70	9¼-9⅛gropm	5.12	25¾-25⅛pm	4.70
Switzerland	2.64½-2.66¼	2.64¾-2.65¾	1⅝-1⅜cpm	6.79	4¼-4⅛pm	6.31
ECU	1.4770-1.4850	1.4840-1.4850	0.60-0.57cpm	4.73	1.57-1.52pm	4.16

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.60-64.70 Six-month forward dollar 3.51-3.46cpm 12 months 6.11-6.01pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5600-1.5790	1.5780-1.5790	0.67-0.65cpm	5.02	1.84-1.81pm	4.62
Ireland†	1.3580-1.3670	1.3670-1.3680	0.12-0.07cpm	0.84	0.44-0.34pm	1.14
Canada	1.1725-1.1780	1.1740-1.1750	0.34-0.37cdis	-3.63	0.93-0.98dis	-3.25
Netherlands	2.1995-2.2175	2.1995-2.2005	0.34-0.32cpm	1.79	0.90-0.86pm	1.59
Belgium	40.75-41.15	40.75-40.85	3.00-1.50cpm	0.66	7.00-4.50pm	0.56
Denmark	7.59¾-7.63¾	7.59½-7.60	par-0.25oredis	-0.20	0.65-1.05dis	-0.45
W. Germany	1.9500-1.9670	1.9505-1.9515	0.36-0.33pfpm	2.11	0.92-0.89pm	1.85
Portugal	162.90-163.30	162.90-163.00	53-68cdis	-4.44	200-240dis	-5.39
Spain	121.85-122.80	121.85-121.95	55-65cdis	-5.89	162-172dis	-5.46
Italy	1397¼-1411	1398-1398½	3.50-4.00liredis	-3.21	11.30-12.00dis	-3.31
Norway	7.12½-7.16¼	7.12¾-7.13¾	1.00-1.25oredis	-1.89	4.05-4.35dis	-2.26
France	6.57¾-6.63½	6.57¾-6.58¼	0.02pm-0.03cdis	-0.01	0.05-0.20dis	-0.08
Sweden	6.60¾-6.64¾	6.61½-6.62	1.40-1.55oredis	-2.67	4.40-4.65dis	-2.74
Japan	142.25-143.50	142.35-142.45	0.47-0.45ypm	3.87	1.27-1.25pm	3.53
Austria	13.77-13.84¼	13.77½-13.78	2.70-2.20gropm	2.13	6.20-4.70gropm	1.57
Switzerland	1.6800-1.6965	1.6800-1.6810	0.25-0.22cpm	1.67	0.71-0.68pm	1.65
ECU	1.0590-1.0640	1.0630-1.0640	0.60-0.57cpm	6.60	1.57-1.52pm	5.81

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 40.90-41.00.

EURO-CURRENCY INTEREST RATES

Aug.21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14-13¾	13⅞-13⅞	13¾-13⅞	13¾-13⅝	13⅞-13⅝	13¾-13¼
US Dollar	9-8¾	9-8¾	9-8¾	8⅞-8⅞	8¾-8⅝	8⅞-8⅞
Can. Dollar	12¼-12	12¼-12	12⅛-11⅞	12-11¾	11⅞-11¾	11½-11¼
D. Guilder	7¾-7⅝	7¾-7⅝	7⅝-7¼	7⅞-7¾	7⅞-7¾	7⅞-7¾
Sw. Franc	7⅞-7⅝	7⅞-7¼	7⅞-7¼	7⅞-7⅝	7¼-7⅛	7⅛-6⅞
Deutschmark	6⅞-6⅝	6⅞-6⅞	7-6¾	7⅛-6⅞	7⅛-6⅞	7⅛-6⅞
Fr. Franc	8¾-8¼	8¾-8¼	9-8¾	9-8¾	9-8¾	9-8¾
Italian Lire	12-10	12¼-11¼	12½-11⅝	12⅞-11⅞	12½-12¼	12⅞-12¼
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

West German bonds rise

WEST GERMAN Government bonds finished towards the day's high in Liffe trading yesterday. Trading volume at around 17,000 was down from the record of just under 40,000 lots which changed hands on Friday but was still almost as much as short sterling and the long gilt contracts put together. Demand for the September contract increased after the price managed to hold support levels, having touched a low of 94.73. The price came back to finish at 94.89, up from 94.85 at the opening and 94.78 on Friday.

Short sterling futures were largely overlooked on one of the quietest trading days for some time. The most traded December contract moved in a five tick range to finish unchanged from Friday at 86.92, but at this price is still regarded as being expensive in relation to its cash equivalent. The futures price continues to discount almost a full point cut in UK base rates by December but many traders regard this as being too optimistic.

US Treasury bond prices finished on a stronger note, closing at 97-10 for September delivery from 97-01 at the opening and 96-13 on Friday. Much of the firmer tone reflected technical demand as investors covered short positions. Moreover, traders face a week of US Treasury refunding auctions, which are likely to keep values subdued.

LIFFE LONG GILT FUTURES OPTIONS
LIFFE US TREASURY BOND FUTURES OPTIONS
LIFFE BUND FUTURES OPTIONS
LIFFE £/$ OPTIONS
LIFFE EUROMOLLAR OPTIONS
LIFFE SHORT STERLING OPTIONS
PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE-MONTH EURODOLLAR; THREE MONTH EUROMARK; FT-SE 100 INDEX; POUND-$ (FOREIGN EXCHANGE); DMK-STERLING

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 38,360
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Rates hold steady

UK INTEREST rates moved within a narrow band in London yesterday in the absence of any fresh data to influence trading. Many investors remain convinced that the UK authorities will resist any move to reduce interest rates for the time being. At the same time they are likely to try and avoid a rise in rates because of the possible knock-on effect on mortgages and the rate of inflation. Three-month interbank money yesterday finished at 13⅞-13¾ per cent from 13½-13¾ per cent while the one-year rate was unchanged at 13¾-13¼ per cent. Rates appeared to be little affected by the much stronger performance by sterling but the yield structure continues to show a reverse curve from one-month out to one year, suggesting that in the market's view, bank base rates are likely to fall either towards the end of this year or the beginning of next year.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England forecast a shortage of around £500m. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills together with repayment of any late assistance draining £1,268m and banks' balances brought forward £90m below target. These were partly offset by Exchequer transactions which drained £300m and a fall in the note circulation of £505m.

The Bank gave assistance in the morning of £261m through outright purchases of £17m of local authority bills and £244m of eligible bank bills all at 13⅞ per cent. The forecast was revised to a shortage of around £600m, and the Bank gave further help of £70m in the afternoon through £60m of eligible bill purchases in band 1 and £10m in band 2, all at 13⅞ per cent. Late help came to £235m, making a total of £566m.

In Frankfurt, call money was a little more expensive as commercial banks continued to make corporate tax payments. Banks' reserve holdings with the Bundesbank have fallen slightly as a result and unless the authorities reduce the minimum reserve requirement for August, which seems unlikely, there may be a fresh injection of liquidity tomorrow when the Bank will make allocations for an expected sale and repurchase tender, to replace a maturing agreement of DM8.4bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.21) 3 months US dollars; 6 months US Dollars

[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

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JOTTER PAD

CROSSWORD

No.7,018 Set by MUTT

ACROSS

1 Punctuation mark is a point to settle (6)
5 Jug that has to be guarded (6)
9 Turn north at Denver: prepare to be shaken (8)
10 Limited at present without a bishop (6)
12 Get the wind up? (5)
13 Insect is a scaly creature, and knowing (9)
14 Bully the old Greek? (6)
16 Neat, I've developed a natural simplicity (7)
19 Player taking a turn about the ship (7)
21 Hefty girl doing a double-hitch? (6)
23 Rejected Mona; Louisa I left distracted – it's irregular (9)
25 It turns colour when worn (5)
26 No return on gold, for example, in this state (6)
27 Rules of procedure for a mule would be ludicrous (8)
28 Want to get right in the end (6)
29 Ringing soldier-boy at about noon (8)

DOWN

1 Many an 8 may be inclined to plumpness (6)
2 Colonel, I estimate this part to be the most isolated (9)
3 Thorn adapted to the tundra (5)
4 Open-handed poet? (7)
6 This brings one to a logical conclusion (9)
7 Letter's cross-stroke shoots up (5)
8 One who has just joined the union (5-3)
11, 20 Wagon Mac used for panelling (8)
15 Exit a wet youth, stumbling (3,3,3)
17 Real dames squirm when she appears (9)
18 Managed on nothing, settled without having a persecution complex (8)
20 See 11
21 Made-to-measure buzzer holds the footnote up all right (7)
22 Notice an opening coming (6)
24 The last order – time's up (5)
25 Beat the typist, love (5)

Solution to Puzzle No.7,017

BRONCO ANCESTOR / LADLED BUSINESS / TRUELOVE THWART / ROBE PRISONGATE / SURREALIST BETA / ESCAPE MARYLAND / ABSINTHE DEFILE / ANSWERED IMAGES

WORLD STOCK MARKETS

CANADA

CANADA TORONTO	Aug 18	Aug 17	Aug 16	Aug 15	1989 High	1989 Low
Metals & Minerals	3790.1	3792.9	3801.5	3778.1	3790.1 (18/8)	3207.5 (3/1)
Composite	3981.9	3994.1	4013.4	4002.1	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	2014.62	2023.07	2035.23	2027.46	2035.23 (10/8)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Texas Utilities	2,395,200	32⅞	+ ⅛	Navistar	1,576,900	4⅞	....
Exxon	2,027,600	43⅝	—	Gen Electric	1,557,800	58	+ ⅛
Bard	2,003,200	20	- 1½	Georgia GF	1,557,800	54½	+ 3½
Maytag	1,764,300	23⅝	+ 1¼	Am T & T	1,537,200	39½	+ ⅛
Phillips Pet	1,629,000	23⅛	+ ⅛	Phil Elec	1,516,300	22½	- ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday August 21 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
IHI	12.77m	1,200	-10	Sony	6.86m	8,800	-80
Sekisui House	11.49m	2,330	+30	Nippon Steel	6.72m	828	-5
Nisshin Steel	9.69m	1,640	+50	Nippon Kayaku	6.66m	1,570	+50
Mazda	9.02m	1,100	-10	Taisei	6.33m	1,630	-30
Sekisui Chem	7.85m	1,740	+40	Hitachi	6.21m	1,700	+10

3pm prices August 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
33¾	21⅞	AAR	.44	1.4	21	56	32½	32¼	32¼	
10½	8¾	ACM n	1.01	11.		151	9⅛	9¼	9¼	– ⅛
11⅝	10¼	ACMIn	1.26a	11.		454	11⅝	11⅜	11½	
10½	8½	ACM M	n1.01	11.		289	9¼	9⅛	9¼	+ ⅛
11½	10	ACM Sc	1.26	11.		632	11½	11⅜	11⅜	– ⅛
9⅞	8¾	ACMSp	1.21	11.		497	9¼	9⅛	9⅛	– ⅛
16	10⅞	AL Lab	.13	.8	17	159	16	15¾	15¾	
4⅛	5⅛	AMCA	.12e	3.0	27	3	4	4	4	+ ⅛
6⅞	4½	AM Ind				233	5⅞	5¼	5¼	– ¼
23½	20⅝	AM In pf	2	9.2		20	21¾	21¾	21¾	
79¼	48⅞	AMR			9	4649	77¼	76	76½	+ ⅛
7⅞	3⅛	ARX				38	3⅞	3⅛	3⅞	
44⅛	32½	ASA	3a	6.9		166	43⅞	43¼	43½	– ⅛
22⅛	15¼	AVX	.24	1.2	9	344	20	19⅝	19¾	+ ⅛
68	44⅞	AbtLab	1.40	2.2	17	3087	63⅛	62½	62⅝	– 1⅛
18¼	13¾	Abitibi g	1			2	15⅛	15	15	– ⅛
13	7½	AcmeC	.40	3.6		21	11¼	11¼	11¼	
9	5⅞	AcmeE	.32	3.6	31	69	9	8⅞	8	
34⅞	20¼	Acuson			32	60	32⅞	32⅛	32¼	
16⅞	14¼	AdaEx	1.62e	11.		144	16⅛	16	16	– ⅛
11⅞	6½	Adobe				7	10⅞	10⅞	10⅞	
19½	16½	Adob pf	1.84	9.9		6	18⅞	18⅝	18⅝	– ⅛
21⅝	19⅞	Adob pf	2.40	11.		4	21⅛	21⅛	21⅛	
11⅞	7⅛	AMD				997	8½	8¼	8¼	– ⅛
36	28¾	AMD pf	3	9.6		4	31⅛	31⅛	31⅛	
18¼	8¼	Advest	.12	1.3	18	47	9	8⅞	9	+ ⅛

Continued on Page 39

هكذا من الأصل

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
14⅞	12⅛	RuleTg	.60	4.1	73	562	u18	14⅝	14½	
24⅝	11¾	Russell	.28	1.2	18	119	23⅞	23¼	23⅜	− ⅛
31⅛	22⅝	Ryder	.60	2.1	14	2112	28⅛	27⅞	28	− ½
29½	22	RykoffLs	.60	2.1	16	16	28⅞	28⅝	28⅝	− ⅜
24	14¾	Ryland	.60	2.5	6	145	23⅝	23½	23⅝	+ ⅛
13⅞	8⅞	Rymer				38	16½	13¼	13⅜	− ⅛
10⅛	7⅜	Rymr pf1.17		12.		1	10	10	10	
		− S − S − S −								
37⅞	31	SCEcp	2.66	7.1	16	1440	38	36⅞	36⅞	− ⅛
11½	6⅞	SCOR U.20e		1.9	8	176	11	10½	10½	− ½
9⅞	7¼	SL Ind	.16	2.0		12	8⅛	8⅛	8⅛	+ ⅛
60⅛	41¼	SPSTec	1.20	2.2	21	39	54⅛	54⅛	54⅛	+ ⅜
35⅛	22⅞	SPX Cp	1	3.0	6	x114	34½	33½	33½	− ⅛
22½	16⅜	Saatchi	.87e	5.6	6	275	15⅝	15½	15½	+ ⅛
18⅝	11½	SabnR	1.34e	10.	16	70	13¼	13⅛	13⅛	
19	14½	SfgdSc			11	100	16⅝	16⅛	16⅛	− ⅛
33⅞	23⅛	SafKln	.36	1.2	23	444	31⅛	30⅝	30⅝	− ⅜
9⅞	6⅞	SafCas	1.12	13.	74	105	9	8⅝	8⅞	
23	19⅝	StJoLP	1.52	6.7	9	23	22⅞	22⅝	22⅝	− ⅛
28⅞	16⅞	Salant			20	26	19⅝	19⅝	19⅝	− ⅛
44⅝	30⅛	SallieM s	.40	.9	19	1095	43⅞	43½	43⅝	− ⅛
29⅞	22⅞	Salomn	.64	2.4	14	3648	27⅛	26⅝	26⅞	− ½
42⅞	33½	SDieGs	2.76	6.6	14	211	41¼	40⅞	40⅞	− ⅜
9⅞	6⅞	SJuanB	.17e	1.9	34	257	9⅛	8⅞	8⅞	− ⅛
34⅛	29½	SAnhRt	2.08	6.4	22	78	32⅞	32⅛	32½	− ⅛
17⅛	11	SFeEP	2.88	25.		47	11⅝	11½	11⅝	
24⅞	20	SFePP	pf2.20	9.4		105	23⅝	23¼	23½	
24⅞	15⅛	SFePCp				1330	22⅞	22⅝	22⅝	− ⅛
63	60	SaraLee	1.44	2.5	17	2142	58⅞	57⅞	57⅞	−2
26⅛	23⅝	SavE pfA2.37		9.2		3	25⅝	25⅝	25⅝	− ⅛
15-32	¼	Savin				1079	9-32	¼	9-32	
8½	4⅞	Savn pf1.80r		18.		10	9⅞	9⅞	9⅞	+ ⅛
35½	29⅝	SCANA	2.46	7.2	12	69	34⅝	34⅛	34⅛	− ⅛
11⅞	7	Schlr	.55e	5.2		26	10⅝	10⅝	10⅝	
18⅛	4½	Wyan				660	7	6⅞	6⅞	− ⅝
		− X − Y − Z −								
69	51⅛	Xerox	3	4.5	18	1387	67⅛	66⅝	66⅞	− ⅜
44⅛	28⅞	XTRA	.72	2.2	18	154	32⅝	32⅛	32⅛	
4⅛	2	Zapata				706	2⅜	2⅛	2⅛	+ ⅛
15½	10½	Zemex	.40	3.5	128	27	11⅝	11½	11½	+ ⅛
22⅞	16⅛	ZenithE				415	17⅛	17	17	− ⅛
10⅜	8⅞	Zenina	1.26	14.		112	9⅛	9⅛	9⅛	− ⅛
2⅛	1¼	viZenLb				356	1½	1⅜	1⅜	+ ⅛
20⅛	15	ZenNtl	.64	4.4	6	28	15⅛	15	15⅛	
22½	14¾	Zero	.60	2.3	17	65	22	21⅞	21⅞	
44⅛	21¼	Zurnla	.68	1.8	19	605	39½	38½	38½	− ⅞
12	10	Zweig	1.08a	9.3		279	11⅝	11⅝	11⅝	
10⅛	6⅞	Zweig s	.98	10.		724	9⅝	9½	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 21

OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 21

FINANCIAL TIMES Tuesday August 22 1989

AMERICA

Dow slides as focus turns to interest rates

Wall Street

THE market was firmly beck on the defensive yesterday morning, with all important indices falling as investors continued to take profits and the US Treasury bond market pulled back from its early gains, *writes Janet Bush in New York.*

At 1.30 pm, the Dow Jones Industrial Average was quoted 15.36 points lower at 2,672.61 on sluggish volume of 69m shares. August is traditionally a holiday month and many investors and traders are away.

The Dow Jones index has been struggling for around two weeks to surmount its all-time peak set on August 25, 1987, of 2,722.42. Its attempt has run into increasing trouble. The Dow has only managed to close above 2,700 on one occasion and that was on August 10, more than a week ago.

Yesterday's pull-back came at the same time as bonds fell from early highs. The Treasury's benchmark long bond stood ½ point higher in mid-morning but then pulled back to stand only ⅜ point higher at midsession.

Interest rates are a focus for both markets this week as the Federal Open Market Committee, which sets a target for Fed Funds, starts its meeting today.

The bond market has been under pressure during the last two weeks because of a heavy schedule of new issues and a run of economic data which shows more economic strength than expected; it has confounded those who believed a recession was on the way.

These developments are probably ambiguous for the equity market. On one hand, the stock market does not want to see a recession because of its negative impact on corporate profitability. On the other, last week's strong economic data probably means that the Fed will not lower interest rates any further. There is a broad consensus now that the FOMC will vote for an unchanged policy.

There seems to be little prospect of any news this week which would give equities the boost needed to reach an all-time high. There is hardly any economic data in prospect. The July budget deficit was due to be announced early yesterday afternoon but was not expected to have much impact.

The only other economic news of note is today's July durable goods order release. This is a difficult number to predict as goods orders are one of the most volatile statistics.

Blue chips were weak yesterday morning. Coca-Cola was quoted $1 lower at $65⅞, IBM eased $⅞ to $114⅝, Philip Morris lost $⅞ to $156⅛ and General Motors slipped ⅛ to $45⅞.

It is notable that both cyclical stocks such as IBM and consumer non-cyclicals such as Philip Morris were weak, evidence that neither belief in a soft landing nor a recession is helping the market.

Among featured issues Lyphomed jumped $7⅞ to $30⅛ in over-the-counter trading on news that Fujisawa Pharmaceutical, which holds around 30 per cent of the company, had offered to acquire the remaining shares for $31 each.

Also on the OTC market, Carrington Laboratories fell $3½ to $31⅝ on a US press report that the company had been accused of supplying incomplete and inaccurate test data to the Food and Drug Administration. Carrington denied the charges.

Whittaker added $1½ to $12⅞ on the New York Stock Exchange after agreeing in principle to sell its chemical coatings group to Sherwin-Williams which eased $⅛ to $33⅞.

UAL continued its meteoric rise, adding $3⅞ to $273⅞ in the wake of news that British Airways plans involving itself in UAL to fend off the offer by investor Mr Marvin Davis.

Canada

TRANSPORT stocks lost heavily in morning trade in Toronto while communications companies did relatively well as the market continued to merk time. The composite index fell 13.8 to 3,968.2, declines leading advances 273 to 197 on volume of 15.4m shares.

Steinberg, a takeover target, fell C$1½ to C$51. A Quebec court quashed the attempt by one bidder, Oxdon, to block a bid by two rivals Socanav and Caisse de Depot of Quebec.

EUROPE

Dollar's strength gives Frankfurt fresh lift

WEST German stocks regained their verve after last week's profit-taking, while there was a mixture of fresh highs and listless trade elsewhere, *writes Our Markets Staff.*

FRANKFURT surged as a strong dollar and expectations of rising earnings for leading German companies gave the market a powerful boost. The DAX index reclaimed most of last week's 2.1 per cent fall, rising by 1.7 per cent to 1,603.01 against a year's high of 1,609.93 at the close on August 10.

Dealers said that strong interest in motors and in the utility, Veba, spread into most other sectors as official bourse trading began. Deutsche Bank, which announced details of its move into life insurance yesterday, led the rise in the financial sector. "The consolidation is over," said a trader, as the FAZ index rose 7.86 points to 658.13.

Volkswagen closed DM16.50 higher at DM487.50, as the rising dollar and September's upcoming Frankfurt motor show encouraged speculative interest in the sector. Porsche rose DM8 to DM836. Daimler was up DM16 at DM803 before today's economics ministry bearing on its planned merger with the aerospace group MBB.

Veba, which closed DM9.50 higher at DM352.20, was supported by recent analysts' reports. The market also responded favourably to the Federal Cartel Office's go-ahead, reported last week, for a majority stakeholding by Veba in the paper to munitions group, Feldmühle Nobel.

Company results brought rises of DM9.20 to DM192 for Lufthansa, which reported an 8 per cent rise in parent company pre-tax profit, and DM4.50 to DM799 for the engineering group, Linde, which saw an 18 per cent first half gain for its domestic operations.

MILAN finished higher across the board for the third consecutive session, led by industrial blue chips, insurance stocks and some financial holdings. The Comit index ended 5.12 higher at 720.41.

The insurance sector was boosted by speculative buying related to the French takeover battle for Victoire. Traders said La Fondiaria, of the Ferruzzi group, might get involved in Victoire's defence against the hostile Suez bid. Fondiaria rose L380 to L62,900. Generali gained 1,200 to L46,000 at its fixing, and climbed to L46,700 in after hours trading.

In the De Benedetti group, the compnter manufacturer Olivetti continued Friday's recovery after nearly five weeks of consistent decline, rising L175 to L9,445. Traders said that the shares were being bought by interests close to Mr Carlo De Benedetti, in preparation for a L1,200bn capital increase this autumn.

MADRID gained further ground in higher volume than of late, with construction stocks and banks leading gains. Investors appeared to be discounting the possibility that the Government would call an early election.

The expectation is that the Socialists would maintain or increase their majority, clearing up any uncertainties about implementation of a tough fiscal package. Shares have risen in the month before each of the past four elections, going back to 1977, said the analyst.

The general index rose 1.56 to 314.74 in turnover estimated at $75m-$80m, a considerable improvement on Friday's $57m.

Dralita, the building materials company, rose Pta165 to Pta4,250 on the continuous market. A 16 per cent rise in housing starts in the first four months of the year has boosted the stock, and there have also been rumours that the company would present consolidated results for the first half which would be very strong.

PARIS ended little changed after drifting in a narrow range throughout the session. Volume was estimated at below FFr1.5bn, with many people still on holiday and the end of the account tomorrow. The OMF 50 rose 0.19 to 508.98.

Club Med was actively sought, rising FFr28 to FFr656 after reporting a 59 per cent increase in first half profits.

Ingénico, the computer company, jumped FFr33, or 14 per cent, to FFr264.50 amid talk of a link-up with Siemens.

ZURICH rose modestly in listless trading. Although most brokers said that the mood remains solidly bullish, they also saw room for moderate profit-taking after a strong performance this summer.

Banks and chemicals attracted scattered buying, while the insurance sector remained the target for profit-taking. The Credit Suisse Stock index rose 1.7 to 668.6.

AMSTERDAM eased in a very thin day's trading, with the CBS tendency index shedding 0.1 to 198.2. There was some activity in international stocks, which ended slightly better, hut the local market was very quiet.

Bührmann-Tetterode, the paper group, reported a 39 per cent rise in first half profits but the market pushed the share price down Fl 1.30 to Fl 72.20. DSM, the chemical stock, lost Fl 2.10 to Fl 132.30 following its first half results on Friday.

BRUSSELS was pulled to its 13th consecutive record high by the continued surge of Cockerill, the state-owned steelmaker which announced a capital increase last week.

While trading in many stocks was quiet on the last day of the forward market account, Sambre closed BFr84 up at BFr510, after touching BFr520, on volume of 393,000 shares. The cash index closed 49.92 higher at 6,483.89.

STOCKHOLM plunged in the last hour of trading following a downward revision by Aga of its forecast for 1989 which followed figures below expectations from Electrolux and Pharmacia last week. The Affärsvärlden index closed 13.3 down at 1,342.1.

Aga free B-shares fell SKr20 to SKr255, Electrolux free-B shares SKr4 to SKr342 and Pharmacia SKr8 to SKr178.

VIENNA hit a new high, with the bourse index up 2.66 at 422.33 in active trading.

ASIA PACIFIC

Optimistic investors drive Nikkei to a record high

Tokyo

A FLUCTUATING Tokyo market, influenced by a strong performance by Wall Street on Friday and expectations of higher prices here this week, closed at e record high in thin trading, *writes Yuriko Mita in Tokyo.*

A stable dollar-yen exchange rate underpinned the market, and the Nikkei opened on a firm note, consolidating the gains of recent days.

Momentum was lost in the late morning, however, and prices drifted. High-priced technology issues, snch as Sony and Pioneer Electronic, were sought, as were the heavy electricals, such as Mitsubishi Electric, during the morning session.

The Nikkei average closed up 77.69 at 35,140.83, after moving between a high of 35,191.16 and a low of 35,068.12. Advances led declines by 491 to 383, while 226 issues remained unchanged. Volume at 468m shares edged up from Friday's 456m. The Topix index of all listed shares rose 6.58 to 2,659.08. In London trading, the ISE/Nikkei 50 index was 0.81 up at 2,116.67.

Investors' optimism abont higher prices has been based on reports that company profits will be stronger this year than had been anticipated, and that share prices should rise to meet those expectations.

Analysts also presume that the launch of new investment trust funds this week will bring a large flow of capital into the market, and in particular into stocks in the Nikkei index.

Sony was in demand in early trading from small-lot buyers, who helped push the issue to a high nf Y8,970, before losing ground to close at Y8,800, down Y90 from Friday. In spite of the fluctuations, interest remains in the stock on the basis that its price is considered low relative to the company's expected earnings in the April-June quarter, results of which are to be released this week.

Interest in cars carried over from last week, helping makers such as Mazda and Toyota to continue their strong performances. Mazda was firm in the morning, but later profit-taking resulted in a fall of Y10 to Y1,100. Toyota Motor hit a year high of Y2,720 in the afternoon, before edging down to close at Y2,700, up Y50 from Friday.

With the September close of half-year accounts rapidly approaching, brokerage houses have attempted to lift the market by buying heavily traded steel makers and *shipbuilders.* Ishikawajima-Harima Heavy Industries (IHI), the shipbuilder and heavy machinery maker, was the most active issue, closing down Y10 at Y1,200 with a turnover of 18.77m shares, by far the largest of the day.

Nisshin Steel also attracted heavy buy orders, coming in third most active at 9.83m shares, and closing up Y50 at Y1,640.

Sekisui House, Japan's largest home builder and a significant dealer in property, was heavily traded with 11.49m shares on the expectation that land prices in Tokyn, which have dipped slightly, are now on the rise again. It gained Y30 to Y2,350.

Electricals and car makers were popular in Osaka, and the OSE average rose 77.19 to 35,184.39. Volume increased slightly to 63m shares from the 61m traded on Friday.

Roundup

LOW TURNOVER and mixed performance characterised Asia Pacific markets yesterday.

HONG KONG slid to its lowest level of the month in light trading. China worries led the market to its fifth decline in consecutive sessions. The Hang Seng index closed 44.41 points lower at 2528.75 in turnover of HK$748m, less than half of last Friday's HK$1.6bn.

The properties sub-index fell hy 3.3 per cent, while more moderate declines were registered by commercial and industrial shares and banks.

Monday's political fears concentrated on the health of the Chinese leader Deng Xiaoping. Mr Deng's 85th birthday falls today, and the market is waiting to see if he will make an appearance.

In the properties sector, Cheung Kong shed 15 cents to HK$7.95, Hongkong Land 35 cents to HK$7.75, New World Development 30 cents to HK$9.65 and Sun Hung Kai Properties 40 cents to HK$10.60. The top company in the banking sector, Hongkong & Shanghai Bank, dipped 10 cents to HK$5.55 ahead of its first half earnings report.

SINGAPORE was mixed, with falls leading rises by 126 to 86 and turnover of 5.3m shares lower at 103.3m. However, the Straits Times Industrial index made another post-crash high, rising 5.53 to 1,387.01 from its previous best on Friday.

AUSTRALIA ended firmer. Late buying orders reversed an earlier downward drift and lifted the All Ordinaries index hy 5.4 to 1,722.4. Turnover fell to 102m shares valued at A$166m from 129m and A$254m respectively last Friday.

Brokers reported steady institutional support for Broken Hill Proprietary, Australia's biggest listed company, which firmed 10 cents to A$10 on turnover of 1m shares. News Corp, due to announce results this week, firmed 5 cents to A$17.50.

IEL, the investment company, was steady at A$2.26 with 500,000 shares traded after last Friday's bid from Coroma, hnt Adelaide Steamship, which has built up a 12.5 per cent stake in IEL in recent months, rose 10 cents to A$8.30.

NEW ZEALAND surged again with foreigners behind some of the buying. However, brokers said that much of the demand was from local investment institutions which have been underweight in New Zealand equities.

The Barclays index leapt another 41.96 points to end at a post-crash high of 2,362.97, after an overall gain of 4.7 per cent last week.

Within that, Fletcher Challenge rose 12 cents to NZ$5.37, following Friday's news that it has bought the Rural Bank from the Government for NZ$550m. Brierley Investments remained popular, topping the vnlnme charts witb 1.5m shares traded and ending 3 cents higher at NZ$2.47.

SOUTH AFRICA

INDUSTRIALS and mining financials led a cautious advance as the market built on Friday's record close.

Small markets make largest moves

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+1.31	+12.33	+63.77	+56.71	+64.31
Belgium	+0.77	+4.57	+22.63	+8.21	+13.92
Denmark	+3.18	-1.02	+69.72	+30.01	+35.48
Finland	+1.91	-0.14	+8.44	+10.87	+21.06
France	-0.66	+2.23	+43.42	+18.49	+26.82
West Germany	-1.84	+2.33	+33.43	+18.69	+24.43
Ireland	-4.35	+6.53	+20.50	+28.92	+34.96
Italy	+1.49	+7.23	+28.87	+16.13	+26.96
Netherlands	-0.39	+3.46	+26.12	+16.44	+29.68
Norway	+3.87	-2.25	+60.96	+41.64	+50.54
Spain	+0.94	+5.11	+5.50	+12.88	+20.94
Sweden	+0.04	+5.21	+65.39	+37.30	+46.63
Switzerland	-1.56	+5.29	+25.00	+28.71	+32.54
UK	+0.78	+4.81	+26.72	+30.65	+30.65
EUROPE	+0.09	+4.15	+29.30	+24.78	+28.51
Australia	+1.34	+6.48	+5.53	+16.55	+19.47
Hong Kong	-1.19	+4.99	+3.51	-3.41	+11.62
Japan	+0.19	+5.70	+21.05	+11.38	+12.70
Malaysia	-1.43	+0.98	+34.82	+31.07	+52.68
New Zealand	+4.91	+20.89	+16.00	+30.43	+40.69
Singapore	-0.97	+1.31	+29.88	+35.50	+55.06
Canada	-0.43	+2.51	+22.15	+18.89	+39.07
USA	+0.35	+3.70	+32.35	+24.47	+43.82
Mexico	+3.29	+4.96	+103.84	+89.62	100.01
South Africa	+2.13	+8.08	+61.45	+43.13	+52.35
WORLD INDEX	+0.23	+8.85	+26.22	+18.37	+25.99

† Based on Friday 18th August, 1989

By Alison Maitland

IT WAS a week for taking stock – and profits – in the world's equity markets last week as the high level of share prices injected a dose of caution.

The heavyweights, Japan, the US and the UK, all ended higher, but their gains were less than 1 per cent, while a number of continental European markets which have forged ahead, such as West Germany and Switzerland, suffered an expected downturn.

The sharpest moves were in smaller markets, such as Ireland, which fell 4.4 per cent in local currency terms after climbing 15 per cent in the previous four weeks. It was hit by profit-teking in Jefferson Smurfit, the industrial group, which had surged on plans to regroup its US interests.

The market was affected by the cautious tone of press comments on the plans, said Mr Joe Burnell of the Dublin hrokers Davy's. Bank and industrial shares were also hit hy rumours that British & Commonwealth Holdings would try to place its 61.5 per cent holding in Woodchester, the leasing and finance group, with institutions rather than pnttiug it up for sale, he said. "The market's had a very good run now, and people don't see the need to dive in at these levels."

The week's best rise came from New Zealand, which continued its post-budget recovery with a 4.9 per cent advance to take its gains of the past four weeks to nearly 21 per cent.

The huying was boosted by falling interest rates and better figures on the trade and current accounts, according to brokers Hoare Govett, who said that overseas buyers still dominated the activity but that local investors were joining in.

There were also gains of over 3 per cent in Norway and Denmark. In both cases it was mainly a technical move – Norway has had a hefty correction after sharp rises earlier in the year, while Denmark fell nearly 6 per cent the previous week, amid concern over proposed tax reforms. Oslo was also lifted last week by interest in Norsk Hydro and the shipbuilders, and volume rose.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 18 1989						THURSDAY AUGUST 17 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	145.39	−0.5	141.48	131.21	−0.8	4.75	150.11	142.80	181.99	157.12	128.28	152.10
Austria (19)	136.43	+1.1	129.20	138.69	+0.5	1.75	134.90	128.33	138.14	139.65	92.64	86.19
Belgium (63)	133.15	+0.5	126.13	134.66	+0.0	4.11	132.57	126.11	134.69	137.97	125.58	110.62
Canada (124)	151.10	+0.0	143.09	129.00	−0.3	5.10	151.16	143.79	129.43	153.58	124.67	118.86
Denmark (36)	199.76	+0.7	189.18	206.69	+0.8	1.52	198.30	188.64	206.06	218.89	165.35	122.44
Finland (26)	137.11	+1.5	129.85	126.78	+1.1	2.17	135.06	128.48	125.35	159.16	125.81	124.46
France (126)	126.25	+0.5	118.57	130.61	−0.5	2.89	125.92	119.78	131.30	133.44	112.57	90.50
West Germany (100)	94.71	+0.7	89.69	96.28	+0.1	2.12	94.05	89.45	96.23	100.53	79.56	73.36
Hong Kong (48)	108.00	−1.7	102.28	108.25	−1.7	5.00	109.89	104.54	110.14	140.33	86.41	104.39
Ireland (17)	153.81	−1.1	145.78	159.11	−1.4	2.64	155.57	147.99	161.42	166.69	125.00	133.02
Italy (97)	93.53	+1.8	88.58	98.08	+0.9	2.29	92.03	87.55	97.19	95.04	74.97	72.70
Japan (455)	186.78	+0.7	176.88	188.53	−0.1	0.47	185.51	178.48	188.69	200.11	164.22	165.04
Malaysia (36)	189.61	−0.4	179.57	196.22	−0.4	2.47	190.35	181.08	196.93	193.38	143.35	142.44
Mexico (13)	280.24	+2.3	265.39	767.52	+0.7	0.66	273.86	260.52	762.04	280.24	153.32	150.83
Netherland (43)	126.14	−0.1	119.46	128.89	−0.8	4.08	128.29	120.14	127.91	130.67	110.63	103.23
New Zealand (20)	82.30	+0.5	77.94	74.32	+0.0	4.56	81.88	77.90	74.33	82.30	62.64	77.60
Norway (24)	181.00	+1.9	171.41	175.35	+1.5	1.47	177.64	168.99	172.76	196.39	139.92	116.03
Singapore (26)	167.87	−0.9	158.98	151.85	−0.7	1.83	169.37	161.12	152.98	170.62	124.57	124.56
South Africa (60)	154.06	+1.1	145.90	140.61	+1.1	3.95	152.40	144.98	139.09	154.97	115.35	118.02
Spain (43)	155.30	+0.9	147.08	143.77	+0.3	3.58	153.95	146.45	143.39	158.06	143.14	145.13
Sweden (35)	183.49	−0.8	173.77	190.03	−0.9	1.93	184.53	175.55	181.60	188.94	138.45	113.43
Switzerland (64)	89.55	+0.6	84.81	93.61	−0.1	2.02	89.05	84.71	93.69	94.16	67.81	75.91
United Kingdom (308)	152.99	+1.1	144.89	144.99	+0.6	4.03	151.38	144.00	144.00	158.41	133.28	131.27
USA (551)	140.87	+0.4	133.41	140.87	+0.4	3.24	140.28	133.45	140.28	142.07	112.13	106.44
Europe (1001)	127.56	+0.8	120.80	125.44	+0.2	3.27	126.55	120.38	125.15	132.62	112.63	103.92
Nordic (121)	169.35	+0.3	160.38	162.72	−0.1	1.75	168.88	160.66	162.88	178.38	137.95	109.33
Pacific Basin (670)	182.45	+0.6	172.78	164.67	−0.1	0.70	181.38	172.53	165.09	194.72	160.44	162.11
Euro−Pacific (1671)	160.58	+0.7	152.08	149.03	+0.0	1.53	159.53	151.78	149.06	168.98	141.56	138.84
North America (675)	141.38	+0.4	133.89	140.14	+0.4	3.23	140.83	133.97	139.62	142.64	112.79	107.10
Europe Ex. UK (693)	111.49	+0.6	105.58	113.45	−0.1	2.70	110.83	105.43	113.53	116.28	96.30	86.97
Pacific Ex. Japan (215)	130.50	−0.8	123.59	119.05	−0.9	4.49	131.52	125.12	120.09	137.65	111.93	126.81
World Ex. US (1868)	160.26	+0.6	151.77	148.50	+0.0	1.60	159.24	151.48	148.52	168.35	141.49	137.93
World Ex. UK (2111)	152.21	+0.5	144.14	145.99	+0.1	1.95	151.42	144.04	145.87	155.66	136.98	125.23
World Ex. So. Af. (2359)	152.25	+0.6	144.19	145.90	+0.1	2.13	151.39	144.02	145.73	155.92	136.67	125.81
World Ex. Japan (1964)	136.02	+0.5	128.81	134.36	+0.3	3.30	135.35	128.75	134.00	138.23	114.51	106.90
The World Index (2419)	152.28	+0.8	144.20	145.88	+0.1	2.14	151.40	144.02	145.68	155.89	136.68	125.75

Latest prices were unavailable for this edition.